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NEWS SUMMARY

GENERAL

China's Deng, 77, takes back seat

Deng Xiaoping, Chinese Communist Party vice-chairman, is stepping back from "front-line" duties at the age of 77.

However, Western observers expect him to continue to be highly influential although he will be seen less in public. Vice-premier Wan Li said Deng, who has not been seen in public for about a month, is in good health. Page 2

Belgians strike

Belgian Socialist trade unions plan a one-day strike today against Government plans to keep wages and welfare payment rises below the inflation rate.

Expulsion call

Portugal's Socialists said more Soviet diplomats should be expelled after the Soviet embassy called former Premier Mario Soares a lunatic needing prolonged treatment.

Marchais vote

George Marchais, French Communist Party leader for 10 years, was re-elected general secretary for another three years. Page 2

Missile found

U.S. explosive experts dismantled the concrete floor of a barn in the Black Forest, West Germany, to recover a live Sidewinder missile which fell from a military aircraft a week ago.

Rulers retained

Liechtenstein's all-male electorate voted to retain the majority Fatherlands Union Party in its legislative elections.

Arms cache find

Zimbabwe's Security Minister said weapons to equip an army of 3,000 had been found, some on a farm owned by Zapu leader Joshua Nkomo.

Moi accuses

Kenyan President Daniel Arap Moi accused Asians of ruining the economy by currency smuggling, hoarding goods "and selling them through the back door."

Death flight

An Indian military transport aircraft crashed on a flight from the Punjab to Ladakh, bordering China, killing 23.

Gandhi attacks

Indian premier Indira Gandhi said the U.S. failed to understand India's problems and warned of deteriorating relations with the Administration.

England lose

The Women's World Cricket Cup was won by Australia. England made 151 for five in their 60 overs but Australia scored 152 for seven with less than two overs to spare.

Run, rabbit, run

Twelve white rabbits were taken from a laboratory in Shardlow, Derbyshire, by protesters who said they were being used in painful weed-killer experiments.

Briefly . . .

Prince Charles is to be president of the British Medical Association.

Pope John Paul intends to visit Spain in mid-October.

Lenin's mausoleum will shut for two months for re-embalming work.

BUSINESS

Concern over U.S. interest rates

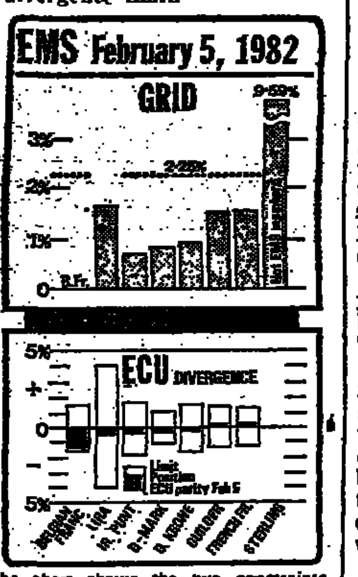
● CONCERN in Europe and Japan at high and fluctuating U.S. interest rates is likely to be raised at today's meeting of central bank governors in Basle.

U.S. central bankers are expected to face renewed pleas to curb the dollar's volatility and to investigate whether the money supply can be controlled without disrupting international economic recovery. Back Page

● BOLIVIAN tin miners called a two-day protest strike against emergency economic measures which include devaluation of the Bolivian peso. Back Page

● CHANCELLOR Sir Geoffrey Howe this week decides on the options for his Budget. Back Page

● EUROPEAN CURRENCY trading was influenced by nervousness about U.S. interest rates and the future direction of the dollar after a series of disappointing U.S. money supply figures. Members of the European Monetary System were little changed against this background. The Irish punt showed some improvement, in spite of Ireland's political problems, but weakened again on Friday. The Dutch guilder and French franc remained close together at the top of the EMS, while the Belgian franc was again the weakest currency, but well within its alarm bell divergence limit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● TREASURY PLANS to raise the cost of "cheap" EEC industrial loans have attracted fierce criticism in London and Luxembourg. Page 4

● U.S. OFFSHORE BANKING industry attracted more than $60bn (£32.27bn) in assets in the first six weeks of business. Page 16

● BP will spend about $40m (£21.52m) in Brazil this year on oil and mineral exploration. Page 3

● BUILDING SOCIETIES' net receipts may have reached £350m last month, against £203m in December. Page 4

● COMMERCIAL VEHICLE sales remained depressed last month but a promotional campaign for the Ford Transit van distorted overall figures. Page 4

● RHEINISCHE Maschinenfabrik und Giesserei Anton Roeper, West German engineering company, has been given to Bulgaria in the first recorded case of Communist resuce of a Western enterprise. Back Page

● ASSOCIATED PULP and Paper Mills, of Australia, reported a sharp fall in pre-tax profits from A$26.17m to A$7.45m (£4.37m) for the six months to end-December. Page 16

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Orion Royal Bank in £35m international Laker rescue attempt

BY ALAN FRIEDMAN AND MICHAEL DONNE

ORION ROYAL BANK, a subsidiary of the Royal Bank of Canada, yesterday was trying to form an international consortium to raise £35m to rescue Laker Airways from receivership and obtain a Stock Exchange listing for the new company.

The £35m would be used as a cash base to pay off £24m of Laker liabilities and provide £11m for cash-flow over the next few months.

Orion said last night that if its consortium was successful it would take over $421m (£226.4m) of outstanding Laker debt related to the purchase of aircraft. It would ask the Laker loan syndicates to convert 20 per cent of the debt into equity.

The salvage effort is being taken seriously by Mr Bill Mackay and Mr Nigel Hamilton, the receivers appointed to manage Laker affairs. Mr Mackay said, however, that "the only way Laker could continue would be in a completely restructured form."

It is understood the Laker tour operations are attracting most interest. Mr Hamilton said he had received approaches from "a number of peole who have shown considerable interest in the tour operations."

The airline industry says anyone taking over the North Atlantic routes left vacant by the Laker collapse must be prepared for heavy continuing investment in operating costs, with no guarantee for early profits.

One approach came from Cosmos, one of the UK's biggest tour organisers. It is interested in acquiring Arrowsmith Holidays, a Midlands tour organiser in the Laker group.

Another inquiry was from Taber Holidays, the Bradford-based company. It is also interested in Arrowsmith.

The Orion declaration of interest was followed by news that Mr Peter Cadbury, former head of Westward Television, was seeking to set up a consortium to rescue Laker Airways.

Mr Roland "Tiny" Rowland, Lonrho chairman, is known to have expressed interest.

Mr Hamilton said he could envisage "the possibility of a smaller airline" emerging.

The receivers expressed their view that Sir Freddie Laker could well return to the airline business before long.

The success of the Orion attempt or any other designed to buy the whole of Laker Airways will depend on the speed of providing cash as well as negotiating agreement with Laker's loan syndicates on debt restructuring.

In addition, the Orion consortium would have to give the Civil Aviation Authority (CAA) assurances that its backers or its parent bank would support the new airline through the crucial summer season.

Orion executives said the outcome of their efforts would be revealed by this evening. This is because the UK, U.S. and Canadian financial institutions being approached would respond today or not at all.

It will be necessary to finalise the Orion consortium by tonight because of the competing offers for parts of the Laker group.

The receivers are under pressure to sell the tour businesses within the next 48 hours.

Mr Peter Earl, a manager at Orion, said: "This is not a charity exercise. We think it is possible for investors to make a lot of money. We know what we are taking on."

He was optimistic the money could be raised. Orion was trying to contact Sir Nicholas Goodison, the Stock Exchange chairman, to ask for special dispensation to obtain a listing

Continued on Back Page

Rebooked holidays threaten legal row

By Arthur Sandles

THOUSANDS OF Laker Airways package tour customers planning holiday this summer will be told today that they have been rebooked with other operators. This could involve clients and bidders for Laker in a huge legal tangle.

Even while last-minute efforts were being made to save the Laker empire, big operators such as Thomas Cook and Pickfords have been refunding cash or rebooking holidays elsewhere.

Thomson Holidays said it "could not deal with the rush" on Saturday as agents and individuals moved to switch bookings away from Laker and Arrowsmith, Laker's tour-operating side.

If Laker's tour-operating subsidiaries are bought over the next few days the new owners could find that most of the 100,000 to 150,000 holiday-makers still booked with Laker on Thursday have been rebooked.

Three questions arise:—

● Could these bookings be reclaimed legally by a revived Laker tour operation?

● What is the standing of passengers who might choose not to fly with Laker under new ownership or who decide to switch to a revived Laker from their new company?

● Where do travel agents stand who have repaid cash against paper claims on the Laker tour operating bonds or the Air Travel Reserve Fund?

In travel industry thinking there are no doubts. Once the "bonds" which every tour operator has to lodge against insolvency have been called in—as they were in Laker's case on Friday afternoon—the process of relocating, or reimbursing, clients is irreversible, it argues.

If this is correct, and it has never been challenged, then Laker or Arrowsmith under new ownership would be faced with the task of wooing customers rather than claiming them by right.

This reduces considerably the value of the tour-operating activities as a going concern.

The situation is further confused in that many Laker and Arrowsmith contracts have reportedly been torn up by resort hoteliers.

At present a well-run tour operation would expect to make pre-tax profits of about £10 a passenger a year.

Assuming that Laker/Arrowsmith could hold 100,000-150,000 passengers this year, against a full initial capacity of more than 400,000 the tour operating side would be worth about £4m.

Reagan facing tough fight for $757bn Budget

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan faces his toughest congressional battle yet to win support for his proposed $757.6bn Budget for 1983, which he officially presents today.

The Budget calls for steep cuts in social programmes, a large increase in military spending, and no tax increases on U.S. consumers, despite an estimated $92bn deficit for fiscal 1983, beginning in October.

Democrats strongly condemned the whole slant of the proposals after they became known at the weekend. Many Republicans in Congress expressed unease at the extent of the increase in defence spending, and the size of the likely deficits in coming years.

In his Budget message Mr Reagan made clear that he was sticking to the main principles of his economic programme—tax and spending cuts and deregulation of industry—despite the continued recession and record real interest rates.

There was no instant relief or panacea for America's problems, he said.

The Administration said the $92bn 1983 deficit, compared with a record $99bn for 1982, could be held at that level only

DEFENCE BUDGET TOTALS ($bn)

Fiscal Years	1981	1982	1983
Spending limit	176.1	214.2	258.0
Outlays	156.1	182.8	215.9

1981 is actual figure, 1982 and 1983 are estimates.

if Congress adopted the $56bn "Budget-saving plan" that Mr Reagan proposes.

The plan includes:

● Cuts of about $26bn, many in social programmes such as health care and food stamps. The political minefield of financial social security is left untouched.

● "Management" savings of $20.3bn, including stepped [illegible] debt and tax collection, accelerated offshore oil- and gas-field leasing, and a 5 per cent ceiling on Federal pay increases.

● Raising of $9.7bn through revision of business taxes, closing of tax loopholes and increases in "user fees" charged to the aviation, nuclear and other industries which need public services such as the Coast Guard and Air Traffic Control.

The Defence budget provides $258bn in total "obligational authority," the amount the Pentagon is authorised to spend or commit for years ahead in 1983, a record peacetime increase of $43.7bn over 1982.

Actual outlays on defence spending, which is almost 30 per cent of the Budget, are

BUDGET ESTIMATES ($bn)

Fiscal Years	1982	1983	1984	1985
Receipts	627	666	723	797
Outlays	725	758	806	868
Deficit	−99	−92	−83	−72
Deficit without new savings plan	—	−147	−167	−171

expected to increase by $33.1bn to $215.9bn. But the Defence Department said that part of the increase reflected a more accurate assessment of the real cost of present programmes.

Mr David Stockman, Mr Reagan's Budget director, forecast that if the Budget was adopted interest rates would come down year by year as inflation ebbed.

The official forecast put average rates for 91-day Treasury Bills at 11.7 per cent for calendar 1982, projected steadily downwards to 7 per cent in 1986 and 5.5 per cent in 1987.

The short-term forecast put real growth in gross national product at 0.2 per cent in calendar 1982, after an increase of 2 per cent in 1981, rising to 5.2 per cent in 1983.

Mr Murray Weidenbaum, chairman of the President's Council of Economic Advisers, said the economy would "snap back" in the second half of the year, with increasingly visible signs of upturn appearing in late spring or early summer.

The consumer price index was forecast to rise by 7.3 per cent year-on-year in 1982, against 10.3 in 1981 and 6 per cent in 1983.

Unemployment was expected to run at an average 8.9 per cent this year and 7.9 per cent in 1983.

Mr Stockman said it was no longer true that large deficits meant that the Budget was out [illegible] dramatic decline in growth of spending. The 1983 deficit was only 2.7 per cent of GNP against 4 per cent in the similar, post-recession year of 1976.

He admitted that it would be "somewhere in the range beyond 1988" before the Reagan objective of a balanced Budget could be achieved.

Mr Stockman's arguments are not likely to cut much ice with Democrats on Capitol Hill, or even with some Republicans, and the key question for Mr Reagan will be whether he can reassemble, in a mid-term election year, the coalition of Republicans and Right-wing Democrats with which he pushed last year's $35bn spending cuts thruogh the Democratic-dominated House of Representatives.

BR to spell out financial effect of strike to unions

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BRITISH RAIL has called leaders of all its unions to an urgent special meeting this afternoon of the Rail Council, the industry's highest consultative body, to spell out the serious financial position facing BR as a result of the train drivers' strikes.

All trains were at a standstill yesterday. One-day strikes have been called for tomorrow and Thursday.

The meeting will provide the first opportunity since the strikes began for BR to get together with its unions. The council is not a negotiating body, so no efforts can be made there to resolve the dispute, but drawing the parties together will at least start them talking.

However, it was not clear last night whether the Associated Society of Locmotive Engineers and Firemen will attend the meeting. Senior BR officials privately doubted it, even though agreement to attend has been given by the other unions, the National Union of Railwaymen, the white-collar Transport Salaried Staffs Association and the Confederation of Shipbuilding and Engineering Unions, which represent some workshop employees.

At the meeting, arranged late on Friday, BR will tell the unions the detailed effects on the industry of the Aslef strikes, which were presented to the BR board last week. Losses exceed £60m, with businesses such as Speedlink and Red Star almost at a standstill and Freightliner parcels traffic down by 70-80 per cent.

BR is expected to tell the unions that it is likely to have to apply to the Government this month for its £100m short-term borrowing ceiling to be raised, to meet the immediate costs of the strike. The Government may well respond sympathetically.

BR is also likely to explain that it can apportion about £25m of next year's external financing limit of £950m to bolster this year's £920m. Instead of undershooting this by about £10m, BR is now expected to exceed it.

However, any such roll-over effect from next year's cash limit will have to be clawed back from the following year's total.

The board is under pressure to accelerate the sale of its 26 hotels and 30 Sealink ferries, though it said yesterday it would not make panic disposals. The future of its extensive workshops, employing 30,000 workers, will be in doubt if investment is cut.

BR was sceptical yesterday about the outcome of today's other meeting, in which mem-

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UK loses Malaysian contracts

BY KEVIN RAFFERTY

BRITISH COMPANIES have lost orders worth at least £50m and possibly more than £60m in Malaysia since Datuk Seri Dr Mahathir Mohamad, the Prime Minister, launched his "buy non-British" directive in early October. The losses could top £120m before too long unless peace is made between Dr Mahathir and Britain.

Some members of the British business community in Malaysia hope that the current visit by Lord Carrington, the Foreign Secretary, will help to smooth relations between the two countries.

Dunlop Malaysian Industries, a 51 per cent-owned subsidiary of Britain's Dunlop Holdings, has confirmed the loss of a £4m-a-year contract for tyres and other rubber products placed with the UK company for the past 20 years.

It is believed that a multi-million pound contract for the supply of fertilisers and chemicals by the ICI group for government land schemes has also not been renewed. ICI in London, however, said this was "pure speculation."

Also affected are British companies which seemed well placed to win contracts in telecommunications, electrical and pharmaceutical equipment and in a major housing project in the state of Sabah.

Contracts for two other large deals, together worth almost £75m, in which British companies are contending strongly, will be decided soon. But under the new rule, the Prime Minister must personally approve any deal before a British concern can be given a government contract.

Precise figures on the losses suffered by British interests are hard to obtain. British officials are unwilling to talk for fear of making things worse.

A senior Malaysian Government official, admitting that British companies had won a deal to supply Scorpion light tanks and other contracts since the directive, said: "British companies have lost millions of pounds worth more than they have won."

The theme of Lord Carrington's speech on arrival in Kuala Lumpur on Saturday on the fourth stop of a visit to the five non-Communist South-East Asian nations, was that he had come to listen and to learn. "The relations between Malaysia and Britain must be based on mutual respect and equality," he said.

"There is co-operation in a wide variety of fields. There are also, inevitably, some points of difficulty.

"My visit provides an excellent opportunity for discussion with the Malaysian Government. But I have come above all to listen and to learn, and I shall, of course, take the chance to explain Britain's point of view."

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Alliance support 'falls sharply'

BY MARGARET VAN HATTEM, POLITICAL STAFF

SUPPORT FOR the Social Democratic/Liberal Alliance has dropped sharply in the past three months, cutting its lead over the Conservatives from 17 percentage points to one, according to a weekend opinion poll.

The poll, conducted by Market and Opinion Research International for the Sunday Times, shows that one in four supporters has deserted the Alliance since November, when its rating stood at 44 per cent.

The main beneficiaries have been the Conservatives, whose support has risen from 27 to 33 per cent, followed by Labour with 31 per cent (27 per cent in November).

The poll also reveals an unwillingness among Social Democrats and Liberals to support each other's candidates. This, it suggests, could cut Alliance seats at the next general election from the 100 indicated by present percentages to about 40.

Another weekend poll in the Glasgow constituency of Hillhead, where Mr Roy Jenkins is preparing to fight a by-election for the Alliance in March, shows the Alliance and Labour running neck-and-neck with 31 per cent each of the 76 per cent of voters who have made up their minds.

The poll, conducted by Dr Bill Miller of Strathclyde University, gives the Conservatives 26 per cent and the Scottish Nationalist Party 12 per cent.

The polls come at the start of a testing week for the Alliance, in which they face their first major Parliamentary revolt, over the Employment Bill.

In spite of efforts by the SDP leadership to overcome internal opposition by seeking to broaden the Bill's scope, up to six of their members are expected to defy the party's decision to support the Government.

The Mori poll may well cast a shadow over the SDP's constitutional conference in Kensington this weekend when the party decides how it is to elect its leader.

The poll showed SDP supporters outnumbering Liberal supporters three to one. But Mr David Steel, the Liberal leader, emerged as clear favourite as leader of the Alliance with 44 per cent support, against 23 per cent for Mrs Shirley Williams, 21 per cent for Mr Jenkins and 10 per cent for Dr David Owen.

Liberal and SDP leaders meeting in Oxfordshire at the weekend decided to name the Alliance leader well before the next general election.

OVERSEAS NEWS

Deng to step back from Peking front line

BY TONY WALKER IN PEKING

DENG XIAOPING, China's powerful party vice-chairman, is stepping back from frontline duties and assuming the role of an elder statesman, according to a senior Chinese official.

But western observers in Peking expect Mr Deng to continue to be the most powerful figure in the Chinese Communist hierarchy.

It is essential for Deng to remain in overall control of China's Government and party apparatus if key economic reforms and a major shake-up of the bureaucracy are to be pushed through.

There are doubts whether his handpicked sucessors — Prime Minister Zhao Ziyang and Party Chairman Hu Yaobang — could push these through in the face of growing opposition from radicals in the party, army and bureaucracy.

Wan Li, a Chinese vice-premier and Politburo member, told a visiting western news executive over the weekend that Mr Deng's health was perfect, denying rumours circulating in Peking that the party vice-chairman may have been unwell.

But Mr Wan gave no hint as to whether Mr Deng would give up powerful positions he holds, such as chairman of the military affairs commission and membership of the standing committee of the Politburo. Mr Deng ranks number three in the Communist Party hierarchy.

Western diplomats think it unlikely Mr Deng will relinquish these positions just yet, certainly not in advance of a party congress planned for this year.

One explanation for Mr Deng's withdrawal from frontline duties is that he recognises a need for his proteges, Hu Yaobang, party chairman, and Zhao Ziyang, the Prime Minister, to be more evidently in active control of the country.

In the past year, Mr Deng has always played the most prominent role in the Chinese Government, though he nominally holds a more junior position in the party hierarchy than Mr Hu.

U.S. relations with China have been brought to crisis point by American arms sales to Taiwan, Zhong Xidong, the Chinese Vice-Foreign Minister said in Peking at the weekend.

He said there was "practically no room for manoeuvre *on the part of China*" in current negotiations with Washington.

In New York, Mr Alexander Haig, Secretary of State, told the New York Times yesterday that talks with Peking over arms sales to Taiwan were "extremely sensitive."

BSC risks EEC challenge

BY OUR BRUSSELS STAFF

AN EEC review of policy on steel plant closures and national aids to steelmakers may involve the British Steel Corporation in a protracted dispute with the European Commission.

The Brussels authorities will shortly send out a questionnaire to the EEC's 450 main steel producers in a plan aimed at establishing a new category of "reserve capacity" steel plants.

Although the effect will be to allow the "mothballing" of plant, the Commission is at the same time contesting the BSC's approach to reducing over-capacity.

EEC officials warn that BSC's plans for further reducing the workforce are not regarded as a form of plant closure that would justify any additional government subsidies. The Commission's view is that steelmaking plant closed through staff cuts can, in many cases, be reactivated, and that, therefore, the practice infringes the EEC steel aids code that links subsidies to restructuring.

The new policy being prepared by the European Commission on steel plant closures in the Community is, however, likely to fuel UK resentment over BSC job losses.

Mubarak peace plea to Europe

Egypt's President, Mr Hosni Mubarak, on the last leg of a tour of Western capitals, yesterday urged Europeans to promote Middle East peace by understanding rather than by putting pressure on those involved in the conflict, AP reports. President Mubarak made the remark at a Press conference at Heathrow Airport before leaving for West Germany, on the last leg of a week-long tour which has taken in Rome, Paris and Washington as well as London.

Ghana calls in cash

Ghana's military rulers have ordered the country's 12m people to deposit their biggest denomination notes (50 cedis) with banks this week, Reuter reports from Abidjan, quoting Accra Radio. After Friday the notes, worth about £10, officially will no longer be accepted.

The exercise is believed to be aimed at checking money in circulation and at assessing assets held by individuals outside the banking system.

Sahara peace plan

African Foreign Ministers have drafted a peace plan for the Western Sahara, involving UN troops and forces from the Organisation of African Unity, AP reports from Nairobi. The troops would be part of a monitoring force to ensure that Polisario Front guerrillas and Moroccan troops observe a ceasefire.

Turkish Press curbs

Turkey's military rulers yesterday announced further restrictions against the Press and banned non-Government bodies from inviting or meeting foreign delegations, Reuter reports from Ankara.

A statement was issued barring the Turkish Press from quoting foreign news reports critical of Turkey. It ordered societies, foundations, trade unions, and other bodies to seek permission before inviting foreign delegations.

Cable link plan

A SUBMARINE cable link with France is likely to be Guernsey's most economic form of electricity supply in the long term, according to a consultant

Mauroy intervenes in battle over hours

BY TERRY DODSWORTH IN PARIS

FRANCE'S Prime Minister, M Rene Mauroy, is to try to defuse a worsening row over the introduction of the 39-hour working week by bringing unions and employees together this week at a meeting under his chairmanship.

The Prime Minister's decision to intervene underlines the gravity of a situation which has divided the unions and caused M Jean Auroux, the Labour Minister, to come under attack from the Communist-led CGT. A number of strikes have broken out over the issue, threatening to undermine the *industrial* peace on which the Government is partly counting in its push for economic growth.

M Mauroy's main aim at the meeting, to be held on Thursday, will be to clarify the Government's position on acceptable solutions for the way in which the working week can be trimmed by one hour from the current 40 hours.

In the decree introducing the measure, the Government deliberately left this question vague to allow room for negotiations. But many of the current disputes have arisen from differences of interpretation.

The most acute of these questions is over pay, since M Auroux has clearly indicated that he thinks some salary pauses, and even cuts, are acceptable in return for the reduction in hours. "You cannot have more spare time and extra income all at the same moment," he said.

Marchais sees constructive role for party

BY DAVID WHITE IN PARIS

GEORGES MARCHAIS, confirmed yesterday in his post as French Communist leader, said the party intended to play a "constructive" role as a partner in Government and that its differences with the Socialist Party did not affect its willingness to co-operate.

In his closing speech to the party's 24th congress, he said that Government was "on the right tracks." Every Communist should speak and act as a member of the ruling majority, he told the 2,000 delegates.

M Marchais also dwelt on the *need to bring the party up to* date and on the "originality" of the French-style Socialism it sought. He made no mention of the Polish crisis—the main source of discord between the party leadership and the Socialists.

The announcement of M Marchais's re-election as secretary-general by the 145-member central committee was greeted with the customary rousing ovation, fountains of confetti and raised fists at the end of the five-day meeting in Paris.

The congress brought few surprises, except for the dropping of M Jean Colpin, who has been in charge of the party's activity at company level, from the top seven-member secretariat.

M. André Lajoinie, leader of the Communist group in the National Assembly, joins the secretariat in his place, while M. Charles Fiterman, the Transport Minister, keeps the seat which he had been expected to give up on joining the Government.

M. Georges Séguy, leader of the CGT trade union, who is due to retire for health reasons this summer, has been replaced by another trade unionist on the party's political bureau.

Polish universities due to reopen today

BY CHRISTOPHER BOBINSKI IN WARSAW

NINE POLISH universities are *due to reopen today after the* shutdown which came with the imposition of martial law on December 13. Other colleges and polytechnics have been going back over the past few weks and by today all students will have resumed studies.

The decision to send the universities back means that the authorities are not too worried about bringing students together in such sensitive spots as Gdansk and Wroclaw as well as Krakow and Warsaw.

In Wroclaw on January 30, for instance, students put lighted candles in the windows *of their hostels as a gesture of* support for the independent union, Solidarity. Police intervened and 12 were detained.

At special meetings today Warsaw University students are to be warned of the consequences of being caught by the military authorities at political activity. Students convicted of such charges will be "sent down" automatically.

Students will also be told that attendance at classes is compulsory. *More attention is* to be paid to ideological subjects such as Marxist-Leninist teaching and greater stress is to be placed on the study of the Russian language.

Our Foreign Staff adds: Poland's Communist Party has lost half a million members since July, 1981. This admission was made yesterday by Mr Wlodzimierz Mokrzyszczak, a secretary of the party central committee, who said member*ship was now 2.6m.*

● The head of the Roman Catholic Church in Poland, Archbishop Jozef Glemp, yesterday prayed in Rome for his countrymen, jailed under martial law and said Solidarity would find a place in Poland.

Haig urges tough line at Madrid talks

BY ROBERT GRAHAM, IN MADRID

THE U.S. Secretary of State, General Alexander Haig, was due in Madrid last night to pre*pare the ground for a tough,* united Western stand castigating the Soviet Union and the military crackdown in Poland at the European security conference which resumes tomorrow.

Gen Haig will head the list of North Atlantic Treaty Organisation Foreign Ministers due to attend. This will be the best-attended conference session since the present meeting began in November 1980. The occasion is being converted into a major show of criticism of *the Polish military takeover.*

Western tactics have not yet been completed and diplomats concede there is still disagreement. The U.S. is pushing hard for an all-out verbal assault on the Soviet Union and a stern warning to the Polish military authorities to restore a dialogue with the Church and Solidarity, the trade union movement, as soon as possible. Renewed detente is expected to be made conditional on improvements in the Polish situation.

The U.S. is anxious that the Foreign Ministers should make their tough speeches and that the session be kept as short *as possible, perhaps* no longer than two weeks. There would then be a recess until the autumn.

However, the neutral and non-aligned countries, as well as the West Germans, feel that this could torpedo the conference and damage the framework for international conduct laid down in the 1975 Final Act of Helsinki.

Moscow, meanwhile, has indicated that it will not accept being put in the dock. Since the talks began, the Russians have, in any case, been under attack for their conduct over Afghanistan. The Polish military authorities have also said that efforts to discuss the Polish situation would be unacceptable.

Bonn force[d] to back down on salary cut

By Stewart Fleming in Frankf[urt]

WEST GERMANY's seco[nd] most powerful trade uni[on] the Public Service and Tra[ns]port Union, with 1m mem[bers], has succeeded in forc[ing] the Government to rescind [a] proposed cut of almost 1 p[er] cent in the salaries [of] national and local governm[ent] workers.

The cut was aimed at sav[ing] public budgets some DM 2.3[bn] (£525m). The proposal, ma[de] last autumn, was also seen [by the] Government as symbolic be[lt-]tightening which it was hop[ed] would influence wage negot[ia]tions in the private sector.

After discussions on Frid[ay] however, the Governm[ent] dropped plans to start [the] wage cuts at the beginning [of] March in the face of a str[ike] threat by the union wh[ich] would have hit services s[uch] as rubbish collection, hosp[ital] billing and public transp[ort]. The Government's decis[ion] followed a similar concessi[on] made a week earlier, by lo[cal] authority leaders.

The Government will a[lso] have to introduce legisla[tion] to rescind wage cuts for civil servants whose sala[ries] are fixed outside the pu[blic] service collective bargain[ing].

The concession represen[ts a] clear victory for the uni[on] head, Herr Heinz Kluncl[ker]. Union leaders in industry now feel increased press[ure] to demonstrate to t[heir] members that they, too, [are] taking a strong line aga[inst] employers in the curr[ent] wage-round.

The country's biggest tr[ade] union, IG Metall, will a[lso] become the focal point. [The] union has already rejec[ted] the offer of a 3 per c[ent] increase deferred for th[ree] months. It had put i[n a] claim for 7.5 per cent.

Economic policymakers [have] been hoping that the Gov[ern]ment's proposals, announ[ced] last week, for a DM 12.[5bn] programme to stimu[late] investment and employm[ent] would encourage the uni[ons] to accept settlements of [no] more than the expected i[nfla]tion rate of 5 per cent.

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Japan seen as 'most vulnerable' to trade pressure

BY GILES MERRITT IN BRUSSELS

JAPAN is singled out as the country most vulnerable to protectionist measures by the EEC in a study released in Brussels today.

According to a "protectionism predictor" contained in the report, it is not only Japan's surging exports and its mounting $15bn trade surplus with the Community that make it liable to become the first victim of EEC trade curbs. Other factors taken into account in the predictor, which examines the prospects of all the EEC's main trading partners, include retaliatory power, raw material power and security relevance.

The report's authors, European Research Associates, acknowledge that their scoreboard device is a comparatively crude one, but under a system that awards marks in relation to a country's likely immunity to protectionist action Japan scores only 15 out of a possible 66.

The next most vulnerable of the EEC's trading partners are the newly-industrialised countries of Southeast Asia, such as South Korea and Taiwan, which as a group score only 15. In much the same category are Latin America, China and India.

The U.S., more surprisingly, also emerges as only a little less vulnerable to EEC protectionist measures. While it scores strongly on retaliatory power, which in addition to countermeasures includes the leverage of substantial investment in Europe its overall score is only 39.

The Brussels study, "EEC Protectionism: present practice and future trends," is the concluding volume of a two-part report launched last June. It analyses protectionist devices so far adopted by EEC states toward their main trading partners and toward one another, and examines the various measures still available to the Community together with the different options for using them.

Scotland to keep its two U.S. bureaux

BY MARK MEREDITH IN EDINBURGH

SCOTTISH inward investment promotion offices are to be maintained in New York and San Francisco, according to Mr George Younger, the Secretary of State for Scotland.

The two offices were set up in 1979 by the Scottish Development Agency on a two-year trial period to encourage U.S. companies to plan their expansion abroad in Scotland.

The offices now fall under the responsibility of the "Locate in Scotland" office which combines the industrial promotion activty of the development agency with the grant-giving abilities of the Scottish Economic Planning Department.

Mr Younger, in reply to a question in Parliament last week said a review had shown that the offices were an essential element in the success of "Locate in Scotland" in co-ordinating inward investment.

France-Brazil links plan

BY TERRY DODSWORTH

THE French Government has indicated to Brazil that it will be prepared to advance mixed State-guaranteed credit lines of about FFr 4bn ($678m) this year if agreement can be reached on a number of projects involving French equipment exports.

An outline deal on this new financing, worth more than double the FFr 1.8bn extended to Brazil last year, was drawn up during a visit to Paris of Sig Antonio Netto, the Brazilian Planning Minister, last week. Although not officially described as a formal protocol, the agreement is intended to give Brazil rights to a mixed credit package of guaranteed official loans, private credits and Treasury advances.

British computer sale to Nigeria

By Our World Trade Staff

SYSTEMS PROGRAMMING International, a leading UK systems and software company, has been awarded a £3.5m contract by Shell Petroleum Development of Nigeria to supply an oilfield production management system.

The system will be implemented on the company's DEC PDP 11/44 computers, and it is estimated that it will take three years to complete the contract.

The system will provide the oil company's production management with real time facilities for the entry of production control data.

● APV International of Crawley has won a £2m contract to supply an automated cheese plant to the DMV Campina dairy company at Born, the Netherlands. The project will be undertaken with APV Nederland, the company's Dutch association, and will convert 600,000 litres of milk per day into Gouda cheese.

● BTR Belting of Lancashire is to supply £1m worth of silvercord steel cord conveyor belting to the Neyveli Lignite Corporation, which operates one of the largest open cast lignite mines in Tamil Nadu state in south India.

BP plans to spend $40m in Brazil

By Andrew Whitley in Rio de Janerio

BP is to spend about $40m in Brazil this year on oil and mineral exploration. About 10 per cent of the group's worldwide spending on minerals is being allocated to Brazil, according to the company.

Mr Jack Birks, a managing director of BP responsible for minerals and head of its Selection Trust subsidiary, is currently visiting Brazil on a fact-finding visit.

After meeting in Brasília with Sr Cesar Cals, the Mines and Energy Minister, he said BP would be prepared to participate in the Carajas minerals project in the Amazon—the world's largest untapped deposits.

U.S.-EEC AGRICULTURAL DISPUTE

Washington goes on the offensive

BY JOHN WYLES IN BRUSSELS

OF THE SEVERAL encounters in Washington today and tomorrow between three European Community Commissioners and the Reagan Administration, it is the meeting with Mr John Block, the Agriculture Secretary, which is likely to drive home the full extent of the ideological and political disagreements between the U.S. and Europe.

A toothy, mop-haired farming millionaire from the Middle West, the 47-year-old Mr Block has been leading a crusade against aspects of the EEC's farm policy almost from his first day in office.

In the previous meetings with Commissioners, he has warned that his objective is nothing less than to roll back the £3bn a year the EEC spends on subsidising the export of its farm surpluses.

In effect, Mr Block is putting a second bullet in the pistol chamber in the game of Russian roulette that the EEC is currently playing with the U.S. on trade issues.

It is a matter of debate as to whether the filing of anti-dumping suits against EEC producers by U.S. steel companies means that the first bullet has been fired.

Previous U.S. administrations have not bidden their dislike of the tendency of the common agricultural policy (CAP) to produce surpluses and drive the EEC into an increasing number of world markets.

But no previous administration has read the riot act like this one.

If the EEC maintains its subsidy policy, said Mr Block a year ago, then "serious friction in our bilateral relations would result, as would increased instability in world markets."

At least part of the reason for this offensive lies in domestic political considerations.

Just before Christmas, the Congress passed a new Agriculture Act (1982-85) which looks likely to cost at least $11bn in supporting U.S. farmers.

This estimate is higher than the Administration would have liked and could climb significantly because the Act has fewer controls over production than its predecessor.

As a result, the U.S. may need to step up its farm exports if Washington is to be spared the cost of propping up farm incomes in the face of falling domestic prices.

World markets, however, and therefore the return to U.S. farmers, will almost certainly be affected by the volume of subsidised EEC exports of products including butter, sugar, cereals and beef. Mr Block's argument is simple: EEC surpluses and subsidies tend to depress world prices and, thus, the profits of more profitable and productive U.S. farmers.

He maintains that the spirit of the General Agreement on Tariffs and Trade subsidies code requires the EEC to reduce its level of subsidies and to refrain from expanding its share of markets with the help of subsidies.

The EEC says this is nonsense, a typical case of a new U.S. Administration either ignoring, misunderstanding or repudiating the commitment of its predecessor. The Gatt subsidies code says that nations should not try to buy more than an "equitable" share of world markets and the EEC has fully complied, say Community officials.

Washington, however, points to a trend line which shows that the EEC's share of the world agricultural export trade (excluding intra-EEC trade) has risen from 9.3 per cent to 11.4 per cent between 1973 and 1980.

At the same time, growing self-sufficiency and, the U.S. alleges, steady protectionism, has reduced the EEC share of world imports from 24.7 to 19.5 per cent over the same period.

The Commission's figures suggest a different conclusion—market shares have held steady. Indeed, the EEC's agricultural trade deficit climbed from $20.6bn in 1973 to $31.6bn in 1980. Its deficit with the U.S. alone is more than $7bn—to which the response of one U.S. official is that "our agricultural trade surplus ought to be double."

But there is little doubt that the EEC's presence in certain markets such as sugar and poultry has become more significant and, therefore, influential on world prices in the last few years.

This is a reflection of increasing internal production surpluses.

Washington had hoped that the EEC's efforts to re-form the CAP over the next six months would have brought greater promise of a control on surpluses and a closer alignment between EEC and world prices.

By last November, it was pretty clear to Washington that neither was likely to happen and that persistent external pressure would be needed to change the EEC's mind.

But there is also a strong defensive element to Mr Block's diplomacy.

In its agonising on how to cope with the potential effects of Spanish membership, the Commission is again thinking in terms of levying a tax on fats and oils to help mop up the prospective olive oil lake. This would hit $4bn exports of U.S. soya to the EEC. Such a tax would have to be negotiated through Gatt, and Washington says that it will fight to the last ditch to prevent it happening.

Similarly, the U.S. can see France beginning to foment an assault on U.S. exports of cereals substitutes which Community farmers feed to livestock because it is cheaper than EEC-produced cereals. With its sales of corn gluten at 3m tonnes a year and rising, Washington says it will not agree any voluntary restraint on its exports of cereals substitutes.

However, Mr Block is already making it clear that he is not just involved in a war of words. Having received complaints against EEC policies from U.S. producers of poultry, sugar, wheat flour and pasta, the U.S. has already started Gatt proceedings alleging a breach of the subsidies code through subsidies of wheat flour exports.

This is a test case which may be followed by complaints in the Gatt on the other three products.

SHIPPING REPORT

Ship sales market active

BY ANDREW FISHER

TANKER and dry cargo rates remained low last week, but there was a spurt of activity on the sale and purchase market at prices showing just how low ship values have fallen.

Galbraith Wrightson said the most significant sale was that of the 66,000 deadweight ton bulk carrier, South Beauty, to German interests for around $9.25m.

The brokers reckoned this was the first open market sale of a Panamax bulk carrier—the largest size able to pass through the Panama Canal—for more than six months when it would have fetched up to $16m.

Matheson (Chartering) pointed out in its monthly report that Panamax and other large bulk carriers were especially badly affected by the continued rate weakness in January.

On the tanker front, where business remained poor last week, the number of tankers and combination carriers laid up, idle or being repaired showed a further sharp rise in January to 192 ships of 28.8m dwt, according to Howard Houlder.

World Economic Indicators

UNEMPLOYMENT

		Jan. '82	Dec. '81	Nov. '81	Jan. '81
UK	000s	3,070.6	2,940.7	2,953.3	2,419.5
	%	12.7	12.2	12.2	10.0
		Dec. '81	Nov. '81	Oct. '81	Dec. '80
W. Germany	000s	1,703.9	1,490.0	1,365.9	1,118.3
	%	6.5	5.7	5.2	4.3
France	000s	2,014.4	2,016.2	2.001.9	1,632.0
	%	8.9	8.9	8.8	7.2
Italy	000s	2,145.9	2,136.8	2,119.3	1,850.4
	%	9.6	9.6	9.5	8.3
Netherlands	000s	475.6	443.2	427.2	322.4
	%	9.1	8.5	8.2	6.2
Belgium	000s	525.4	518.4	516.7	430.5
	%	12.9	12.8	12.7	10.6
U.S.	000s	9,462.0	9,004.0	8,520.0	7,785.0
	%	8.9	8.4	8.0	7.4
Japan	000s	1,190.0	1,210.0	1,220.0	1,180.0
	%	2.1	2.1	2.1	2.1

Source (except U.S., UK and Japan): Eurostats

GM set to build plant in Tunisia

By Roderick Oram in New York

GENERAL MOTORS is close to signing an agreement to build a car and lorry assembly plant in Tunisia. The shareholdings in the as-yet unnamed company will be GM 20 per cent, Isuzu, its Japanese affiliate, 10 per cent and Tunisian private investors 70 per cent.

GM, the world's largest car and truck maker, said it will identify the Tunisian investors when the deal is completed. But it is understood that a major one is a Tunisian car dealer handling GM products.

The plant, to be built in the town of Kairouan about 120 miles south-west of Tunis, will begin by assembling completely knocked down (CKD) vehicles but later it will make some components.

Russia to sell oil to Greece

By Victor Walker in Athens

THE SOVIET UNION is to supply Greece with 2m tons of crude oil this year, 900,000 tons of it of Libyan origin but under Russian ownership, Mr Ioannis Papaspyrou, the Under-Secretary of Commerce, said at the weekend.

He said the oil will be bought at $35.35 per barrel and will be paid for in convertible currency. To balance this, the Soviet Union has agreed to buy a specified amount of agricultural products during 1982, including a minimum of 90,000 tons of oranges, he said.

The oil represents about one-fifth of Greece's total requirements this year.

UK NEWS

Campaign by Ford lifts commercial vehicle sales

By Kenneth Gooding, Motor Industry Correspondent

COMMERCIAL vehicle sales rose sharply last month but a big promotional campaign for the Ford Transit van distorted the figures. Overall, the market remains depressed.

The campaign covered the last quarter of 1981 but closed on January 10, thus causing a last-minute rush to buy in January.

This resulted in 7,058 Transits being sold, the largest number to be registered in one month in the vehicle's 17-year history.

Ford's commercial vehicle market share last month reached a record 44 per cent.

The Transit campaign helped boost total sales of purpose-built vans to 11,883 in January from 6,756 in the same month last year.

The impact in an otherwise-depressed commercial vehicle market was to raise total sales by 25.7 per cent, compared with January last year, to 21,157 according to Society of Motor Manufacturers and Traders' figures.

But last month's total was 14.25 per cent below the 24,674 for January 1980.

In January, registrations of trucks above 3.5 tons, the most badly affected part of the business in the past two years, slipped again, from 3,688 in the same month of 1981 to 3,402.

Car-derived van sales fell from 5,063 to 4,255, or nearly 16 per cent over the same period. Bus and coach registrations declined from 394 to 316.

Registrations of light four-wheel-drive vehicles moved ahead sharply, probably due to the heavy snow, from 936 to 1,301.

The importers' share of the total market was held last month at 29.6 per cent, against 30 per cent in January 1981.

● Senior executives of Nissan, the Datsun car group, are expected to arrive in London today for what should be a final round of talks about a possible £300m UK plant.

The team will be led by Mr Mastaka Okuma, the executive vice president, and will meet Department of Industry officials this week.

Opinion in the UK motor industry is still divided on whether Nissan will go ahead with the venture, to build 200,000 Datsuns a year in Britain.

There is some evidence that the department has been taking a firm line about the level of local content in the cars to be produced.

Anger at Treasury plan to raise cost of EEC loans

BY TIM DICKSON

TREASURY PLANS to raise the cost of "cheap" EEC industrial loans have attracted fierce criticism in London and Luxembourg.

The increase will come about because of the way in which the Government intends to price the exchange risk cover it provides on money from the European Investment Bank (EIB) and the European Coal and Steel Community (ECSC).

Under the old arrangement, which will still apply to current applicants, the UK Government charges companies taking up the EIB's and the ECSC's mixed currency loans a flat 2 per cent. Under both schemes this is presently 11-11½ per cent.

In future, the plan is to charge the broadly commercial (sterling) rate used for Industry Act loans minus 3 per cent, equivalent to about 14½ per cent under current conditions. On top of this, the banks and other institutions which parcel out EIB and ECSC loans add their charge of between 1 and 2 per centage points.

Industrial and Commercial Finance Corporation (ICFC), which acts as an agent under both schemes, said it is "concerned about any move which makes it more difficult for small companies to benefit from Community funds." ICFC has to date committed £43m of ECSC money and £1.5m of EIB loans to 250 projects.

Midland Bank, which acts as an agent for the EIB, said it "would regret the disappearance of any cheap money source when the prime purpose is to encourage capital projects in the assisted areas."

Hundreds of millions of pounds have been handed out to UK companies by the EIB and the ECSC since Britain joined the European Community. EIB loans are designed to help solve regional problems while ECSC money is restricted to job creating investment projects in coal and steel.

Although the take-up in the UK has generally not been as high as in some other EEC countries, a key attraction to UK borrowers has been the low rate of interest, which even after the 1 per centage point premium and the agent's "turn" has been significantly cheaper than the cost of a commercial loan.

Officials in Luxembourg are now worried that following the Government's move to increase the cost of its exchange risk cover, demand for funds could tail off and investment projects be postponed or cancelled.

Rents for council houses up 45%

By Robin Pauley

COUNCIL HOUSE rents in England and Wales increased 45 per cent in 1981-82 while Government subsidies to tenants dropped 28 per cent to £1.29bn from £1.8bn in 1980-81 according to statistics published today.*

The statistics from the Chartered Institute of Public Finance and Accountancy show that rent income rose from £2.16bn to £3.11bn.

Only three of the 404 councils which are housing authorities failed to raise rents in 1981-82. They are Hammersmith and Fulham, Liverpool and Coventry.

Some 63 councils put up rents by at least £4 a week and six by more than £5. They were Wealden, East Sussex (£5.50), Basingstoke and Deane (£5.39), Berwick upon Tweed (£5), Guildford (£6), Tandridge (£6.46), and Stratford on Avon (£7).

The levels of government housing subsidies, ratepayers' contributions and rents to the housing revenue accounts varies significantly between authorities. Ratepayers' contributions meet about 1 per cent of housing expenditure by English shire districts, compared with nearly 20 per cent in London boroughs.

Ratepayers' contributions to housing revenue accounts for 1981-82 totalled £422m, about £100m more than the government forecast. Accounts of 50 councils show a surplus which means money can be transferred to the rate fund to subsidise ratepayers.

Apart from the three London boroughs of Hillingdon, Kingston, and Havering, they are all English shire districts.

The average cost to a council of providing a council house in 1981-82 is £18.36 a week (£30.55 for London boroughs). Of this, £11.48 (£12.67 in London) is financed by rent income, including rebates.

The number of tenants receiving assistance from councils and the Social Security Department is about 30 per cent higher than in 1980-81.

The income generated by interest on sales from council houses is estimated at £269.84m in 1981-82.

*Housing Revenue Account Statistics 1981-82 estimates; £12; CIPFA, 1 Buckingham Place, London SW1.

Building societies receipts up

BY MICHAEL CASSELL

THE BUILDING societies began 1982 in good form. Net receipts in January climbed to one of their highest levels since last summer.

Provisional estimates suggest that net inflow of savings into the societies continued to recover in December. Net receipts may have reached £350m in January against £203m the previous month and £65m, worst monthly figure for five years, in November 1981.

It appears that some distortions to the retail savings market caused by recent National Savings offers have faded away.

The improvement in receipts could become a decisive factor if the societies soon find themselves in a position to consider reducing interest rates. The clearing banks cut their base rates by half a percentage point to 14 per cent two weeks ago.

Interest rates are likely to be discussed at this week's meeting of the council of the Building Societies Association, though no immediate decision is expected.

Interest rate decisions are normally taken by the building societies only at their regular monthly meetings, but in the face of intense competition from the banks they appear out to prove that they too can react rapidly to market changes, and a special meeting could decide on new rates if competitive rates fall.

The societies face another difficult year, with National Savings continuing to draw off volumes of funds which might otherwise have found their way into society accounts.

Brokers predict 2% growth in output

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

A CAUTIOUSLY more optimistic view of the UK's prospects for this year is taken by the new economics unit of brokers Laing and Cruickshank in its latest review, out today.

The group believes output will rise by 2 per cent this year, compared with the 1 per cent predicted by the Treasury and the consensus of independent forecasters at the turn of the year.

This upward revision reflects the tone of mild optimism which has been evident in speeches over recent weeks by Treasury ministers and officials.

In the first issue of its new Economic and Monetary Review, Laing and Cruickshank cites improved productivity figures and the effects of a fall in the exchange rate last year as the main encouraging factors.

However, it believes that the recovery will remain "fragile" in the absence of a substantial stimulus to demand, and suggests that growth could tail off again in 1983.

The brokers James Capel is also expecting slightly improved growth this year of about 1.6 per cent and a reduction of inflation from the present 12 per cent to an annual rate of 9.5 per cent by the end of the year.

Capel argues for a mildly reflationary Budget, in its "UK Economic Assessment," with about £1bn of job creation measures and either a 2½ percentage point cut in value added tax or a decision not to raise excise duties in line with inflation.

Either option would result in a higher public sector borrowing requirement—which would be about £12bn if VAT were reduced. However, both measures would help to reduce the Retail Prices Index as well as providing a stimulus to output and employment, Capel says.

Government unlikely to drop BA share sale

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE APPOINTMENT last week of receivers at Laker Airways is unlikely to deter the Government from its long-term ambition to sell British Airways shares to the public.

Ministers are acutely embarrassed that they were unable to save Laker in a week when they raised BA's overall borrowing limit from £1bn to £1.2bn and its annual external financing limit by £53m to £154m, to help pay for 9,000 redundancies being made by the airline.

But preparations for BA's privatisation continue, although this is unlikely to be achieved within at least the next year.

This is because of the airline industry's poor state worldwide, and BA's own poor cash position, rather than any backwash from the Laker collapse.

Sir John King, BA's chairman, and Mr Roy Watts, deputy chairman and chief executive, have asked Price Waterhouse, the chartered accountants, to study the airline's financial situation, and to make recommendations for its essential capital restructuring in preparation for the sale of shares to the public.

This study is still in progress, and it is not known whether any details will be published. As it is an internal document, intended for top management and perhaps the Department of Trade, it seems unlikely to be revealed wholly.

In 1980-81, BA incurred a pre-tax loss of £141m, and another heavy loss, perhaps of about £100m, is openly forecast for this year.

This is because of the continued low level of world air travel, and the need to finance the redundancy programme, which will cost more than £100m in severance payments.

British Airways is still budgeting for a profit in the new financial year starting on April 1.

But it remains to be seen whether the redundancies already made and the changes in working practices either already made or being sought, will be enough to turn the airline round.

Much will depend on whether there is a major upturn in world air travel conditions this year.

The situation will be improved by the increases of up to 15 per cent in Atlantic air fares, which come into effect this spring. These were agreed among the airline members of the International Air Transport Association before the Laker collapse.

It is uncertain whether any further rises in fares on other routes, for example in Western Europe, will be introduced this spring.

Bethell in court move on Sabena

By Raymond Hughes, Law Courts Correspondent

EURO-MP Lord Bethell will begin another stage in his fight against high European air fares today.

At 11 am he and his lawyers personally will serve the London manager of Sabena, the Belgian airline, with a county court summons claiming £50 damages.

Lord Bethell, Conservative Euro-MP for North-West London, says he is entitled to damages for allegedly being overcharged by Sabena for a flight to Brussels.

No date has been fixed for hearing the case at Wandsworth, London.

In six years as a Euro-MP, Lord Bethell estimates he has been overcharged at least £5,000 on flights to and from Brussels.

He is taking the European Commission before the European Court in Luxembourg in April, alleging that it has failed to break up "illegal cartels in civil aviation which allow airlines and some governments to fix high air fares in Europe."

Backed by the Government, Lord Bethell will say that the commission should have taken action against some airlines for infringing the Treaty of Rome's competition rules.

The receiver's philosophy, by the new man at Laker

BY JAMES McDONALD

"AT THIS very moment the management of some company is devising a means of going broke that I have not thought of. It may take a lot of effort, but will they do it."

So writes Mr Bill Mackey, one of the receivers appointed on Friday to take over the affairs of Laker Airways, in Managing for Profit, a book to be published this month.

On the humane side of a receiver, Mr Mackey writes: "The special assignments departments of accounting firms —*sometimes known as the* 'coffin and shrouds' departments—spend more time helping companies to avoid receivership than in conducting receivership itself."

Mr Mackey, a partner in Ernst and Whinney, chartered accountants, lists some indicators that raise his suspicions.

"Regardless of profit record and publicity, I am suspicious of a company that files its accounts late, or a listed company that postpones the date on which it is due to announce its results.

"*I am alsway amazed at the* complacency with which financial commentators regard these events."

Borrowing from a range of international banks by a company operating internationally enables the borrower to play one off against another, cutting interest rates and avoiding giving security.

But Mr Mackey points out that this "also means dealing with a consortium of international bankers if the company has financial problems.

"If any of you has attended a consortium meeting, with 20 or 30 bankers from all corners of the world, each scratching like chickens in the dirt trying to get more security, you will realise how difficult a rescue operation can become."

Most businesses that have fought their way through the past two years of recession should now survive and ultimately prosper, Mr Mackey says.

Managing for Profit, McGraw-Hill Book Company in association with the Institute of Chartered Accountants in England and Wales, £10.50.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

BOARD MEETINGS—
Finals:
Broadstone Inv. Tst.
Lancashire and London Inv. Tst.
Manchester Ship Canal
UC Investments
Interim:
Home Farm Products

DIVIDEND & INTEREST PAYMENTS—
Baker Perkins Hldgs. 2.1p
Bassett (Geo.) Hldgs. 1p
Borthwick (Thomas) 0.01p
Bulmer (H. P.) Hldgs. 2.94p
Burroughs Corp. 65cts
Dubillier 0.8954p
Hapoalim Int. Gtd. Fltg. Rate Notes 1983 $1017.19
Huletts Corp. 12.466293p
Int. Paint 2p
May and Hassell 1.3p
Murray Caledonian Inv. Tst. 1.5p
Paterson Jenks 0.625p
Reed Int. Dbs. 3¾pc 1990-95 5pc
Russell Bros. (Paddington) 1.25p
Tongaat Corogroup 11cts

TOMORROW

COMPANY MEETINGS—
Archimedes Inv. Tst., 37 Queen Street, EC, 12.30
Baggeridge Brick, Midland Hotel, New Street, Birmingham 12.30
Burns-Anderson, St. James Club, St. James House, Charlotte Street, Manchester, 12.00
Fishguard and Rosslare Railways and Harbour, Eversholt House, 163-203 Eversholt Street, NW, 12.15
NSS Newsagents, Ryde House, Chobham Road, Woking, Surrey, 2.30
New Sylhet Hldgs., Blue House, Washington, Tyne and Wear, 2.30
Tomkinsons Carpets, Duke Place, Kidderminster, 12.00

BOARD MEETINGS—
Finals:
Aaronson Bros.
Crescent Japan Inv. Tst.
Ladies Pride Outerwear
Macpherson (Donald)
New Tokyo Inv. Tst.
Interims:
Amstrad Consumer Products
Crouch Grp.
Guildhall Prop.
Worthington (A. J.)

DIVIDEND & INTEREST PAYMENTS—
Archimedes Inv. Tst. Inc. 4.3p
Electric and General Inv. 1.05p
Marling Inds. 0.47p
Merrill Lynch Overseas Cap. N.V. Gtd. Fltg. Rate Notes 1987 $191.67
Scottish Inv. Tst. 2.9p
Sylvone 3.6p
Technology Inv. Tst. 1.6p
Tomkinsons Carpets 3p

WEDNESDAY FEBRUARY 10

COMPANY MEETINGS—
Elson and Robbins, Domestic Industrial Pressings Ltd., Cotmanhay Road, Ilkeston, Derbyshire, 11.00
Lloyds and Scottish, 8/8 Chesterfield Hill, W., 12.00
Management Agency and Music, The Hendon Hall Hotel, Ashley Lane, Hendon, NW, 12.00
Sotheby Parke Bernet Grp., 34-35, New Bond Street, W, 4.30
Sperati (C.A.), 54 Westcombe Hill, Greenwich, 3.00
Westland Aircraft, Hyde Park Hotel, Knightsbridge, SW, 12.00

BOARD MEETINGS—
Finals:
General Cons. Inv. Tst.
Loaderflush
Securicor
Security Services
Yeoman Inv. Tst.
Interims:
Ashley Inds. Tst.
Benn Bros.
Epicure
Gripperrods

DIVIDEND & INTEREST PAYMENTS—
American Express 55cts
Baggeridge Brick 2.5p
Burns-Anderson 1.4p
Fenner (J.H.) Hldgs. 5.37p
Greater London 12½pc 1983 6¼pc
James (Maurice) Inds. 0.5p
Malaysia (Govt. of) 7¼pc 1978-82 3⅝pc
Marsh and McLennan Cos. Inc. 50cts
Private Inv. for Asia Fltg. Rate Notes 1986 $503.13

THURSDAY FEBRUARY 11

COMPANY MEETINGS—
Davenports Brewery Hldgs. (Birmingham), 75 Harborne Road, Birmingham, 12.15
Hickson and Welch, 140, Buckingham Palace Road, 11.30
Sidlaw Inds., Nethergate Centre, Dundee, 12.00
Stenhouse Hldgs., Central Hotel, Gordon Street, Glasgow, 12.00

BOARD MEETINGS—
Finals:
Hamilton Oil Great Britain
Imperial Grp.
Lonrho
River Plate and General Inv. Tst.
River and Mercantile Tst.
Thermal Syndicate
Weber
Interims:
Christie-Tyler
Dale Electric Int.
Douglas (Robert M.)
Dowty
Moontleigh
Press Tool

DIVIDEND & INTEREST PAYMENTS—
Blantyre Tea Hldgs. 2p
British Buildings and Eng. Appliances 0.5p
Charterhouse Japhet Tst. Finance B.V. Gtd. Fltg. Rate Notes $99.35
Davenports Brewery Hldgs. (Birmingham) 3.135p
Guinness (Arthur) 3.325p. Do. Lns. 3¼pc
NSS Newsagents 2.4p
Turnbull Scott Hldgs. 3p
Westland Aircraft 4.5p

FRIDAY FEBRUARY 12

COMPANY MEETINGS—
Flexello Castors and Wheels, The Excelsior Hotel, Bath Road, West Drayton, Middlesex, 3.00
Plaxtons (G.B.), Royal Hotel, Scarborough, 2.30

BOARD MEETINGS—
Finals:
Alexanders Hldgs.
Brooke Tool Eng.
Plastics Constructions
Renown Inc.
Wagon Finance

DIVIDEND & INTEREST PAYMENTS—
Bailey (Ben) Construction 0.56p
Braham Millar Grp. 0.3p
Brown (N.) Inv. 2p
Caledonian Assoc. Cinemas 2p
Dawes (G. R.) Hldgs. 5p
Elliott Grp. of Peterborough 0.5p
Greene King and Sons 2.4p
Gresham Inv. Tst. 1p
Hanover Inv. Hldgs. and N.V. 0.7p
Imperial Continental Gas Assoc. 3p
Lloyds and Scottish 5.57p
Middle Witwatersrand (Western Areas) 4.363234p
Monk (A.) 1p

Fall in oil prices expected to be short-lived

BY RAY DAFTER, ENERGY EDITOR

THE FALL in oil prices may be short-lived, according to a report on the world oil market published in London today.

Stockbrokers Phillips and Drew expects rising demand in the second half of this year to pave the way for average increases of \$2.50-\$3 a barrel at the beginning of 1983.

Saudi Arabia would try to maintain the \$34 a barrel reference price for its Arab Light crude oil in spite of the current slack market and price reductions by producers such as the UK, Mexico and Iran. The Saudis would try to do this by cutting production.

Phillips and Drew says producers of both heavy and light crude oil would continue cutting prices to bring them more in line with the Arab Light reference price.

Within the next two days, British National Oil Corporation is expected to tell other oil companies that UK prices are being lowered by \$1.50 a barrel to a reference level of \$35. Norwegian producers are likely to follow suit.

Mexico, another leading producer outside the Organisation of Petroleum Exporting Countries last month cut the price of its Maya crude by \$2 a barrel.

Iran is reported to have trimmed \$1 from its prices with effect from last Friday. This gives an official price of \$33.20 a barrel for light oil and \$31.20 for heavy crude, on the basis of 30 days' credit.

A number of Middle Eastern and African exporters are offering hidden discounts—extended credit deals, barter arrangements and subsidised freight costs—to maintain official contract rates.

Sue Cameron writes: The reduction in North Sea prices is not likely directly to affect pump petrol prices, mainly because the latter have been sliding downwards for months.

Since the start of this year, the average price of a gallon of four-star has dropped from 166p to 155p-156p. The big petrol companies are being forced to compete with small independents which have been importing products cheaply from the Rotterdam spot market.

Major refiners throughout Europe have been losing money heavily because of reduced demand for nearly all oil products, overcapacity and tumbling prices.

In the UK, the majors are spending substantially on subsidies for their petrol dealers. Shell, for example, is paying £2m-£3m a week. The big companies believe pump prices cannot go much lower.

If they are right, the \$1.50 cut in North Sea crude prices will reduce their costs. Industry experts, however, think the lowering of crude prices will be insufficient to put some of the petrol majors back in the black.

When crude prices were rising in 1979-80, refiners persuaded their customers that the increases would have to be passed on in higher product prices. The success of their campaign could backfire now crude prices are falling.

Texaco may pull out of £1.5bn North Sea project

BY RAY DAFTER

TEXACO is considering pulling out of the proposed £1.5bn development of the North Alwyn oil and gas field in the North Sea. The U.S.-based company, which is facing unexpected bills in its troublesome Tartan Field, is concerned about its cash flow.

As a result, it has been discussing with the two major shareholders in North Alwyn—the French companies Total and Elf—various arrangements for proceeding with the field development. It is understood that the options include the disposal of Texaco's stake in the field or a "farm-in" licence change in which another company would carry a proportion of the development costs in exchange for a share in the production.

Texaco said at the weekend that various possibilities were being considered. It was concerned that the issue should not impede a speedy development of the field.

The field straddles two blocks—3/4 and 3/9—about 100 miles east of the Shetland Islands. Texaco's 3/4 concession could hold up to 15 per cent of the recoverable reserves, according to industry reports.

Stockbrokers Wood, Mackenzie estimate that total recoverable reserves in North Alwyn could be between 130m and 150m barrels of oil and 250bn cubic feet of gas.

Texaco already has a heavy investment load in the UK. Its Tartan Field development, which has so far cost £250m, is expected to need the injection of a further £100m to £150m. The company has said that the "unexpected variability" of Tartan's reservoir had complicated production plans. Underwater well systems are to be installed to boost Tartan's disappointing production.

The company is also expected to spend a further £250m on developing its block 14/20 discovery—likely to be called the Saltire Field. Texaco is also involved with Gulf Oil in a £400m project at its Pembroke refinery in south-west Wales.

Engineering fares badly from competition

BY WILLIAM COCHRANE

MEDIUM TO large civil engineering contractors are still faring badly in a keenly competitive market, the Federation of Civil Engineering Contractors reports today.

In its first 1982 civil engineering workload survey, the FCEC says that the latest picture to emerge for companies employing up to 500 workers is one of slight relative improvement, but from a very low level of activity. Very large groups have maintained their position compared with the last survey in October 1981.

However, medium to large companies still report an overall downward trend.

The relative improvement in workload has given some relief. Yet medium- to large-sized civil engineers are still shedding labour at an increasing rate, says the FCEC.

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Bank	14 %
American Express Bk.	14 %
Amro Bank	14 %
Henry Ansbacher	14 %
Arbuthnot Latham	14 %
Associates Cap. Corp.	15 %
Banco de Bilbao	14 %
BCCI	14 %
Bank Hapoalim BM	14 %
Bank Leumi (UK) plc	14 %
Bank of Cyprus	14 %
Bank Street Sec. Ltd.	15½%
Bank of N.S.W.	14 %
Banque Belge Ltd.	14½%
Banque du Rhone et de la Tamise S.A.	14½%
Barclays Bank	14 %
Beneficial Trust Ltd.	15 %
Bremar Holdings Ltd.	15 %
Bristol & West Invest.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14½%
Canada Perm't Trust	14½%
Castle Court Trust Ltd.	14½%
Cavendish G'ty T'st Ltd.	15½%
Cayzer Ltd.	14½%
Cedar Holdings	14 %
■ Charterhouse Japhet	14½%
Choulartons	14½%
Citibank Savings	¶14 %
Clydesdale Bank	14 %
C. E. Coates	14½%
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
E.T. Trust	14 %
Exeter Trust Ltd.	15 %
First Nat. Fin. Corp.	17 %
First Nat. Secs. Ltd.	17 %
Robert Fraser	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
Heritable & Gen. Trust	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Hongkong & Shanghai	14 %
Knowsley & Co. Ltd.	14½%
Lloyds Bank	14 %
Mallinhall Limited	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Roxburghe Guarantee	15 %
E. S. Schwab	14 %
Slavenburg's Bank	14 %
Standard Chartered	‖14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
TCB Ltd.	14 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½%
Williams & Glyn's	14 %
Wintrust Secs. Ltd.	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.

* 7-day deposits 11.50%, 1-month 11.75%. Short term £8,000/12 month 14.10%.

† 7-day deposits on sums of:—under £10,000 11½%. £10,000 up to £50,000 12¼%, £50,000 and over 12¾%.

‡ Call deposits £1,000 and over 11½%.

‖ 21-day deposits over £1,000 13%.

§ Demand deposits 12%.

¶ Mortgage base rate.

INSURANCE

Debate on immunity at Lloyd's continues

By John Moore

THE BILL of Parliament for improving self-regulation in the Lloyd's insurance community made slow progress last week. More parliamentary time has to be found for considering several amendments to the Bill because the business was not completed in a three-hour debate on Wednesday.

Although the Bill was delayed last week, it is still likely to receive considerable support from both sides of the House of Commons in later readings.

But opposition to the Bill is being lobbied in the House of Lords by those who oppose an immunity clause in the Bill, which will grant a new Lloyd's council protection from law suits for damages from its members, and by opponents of the divestment clause, which requires that brokers sell off their shareholdings in Lloyd's underwriting interests.

The issue of immunity for Lloyd's was fully argued in last week's parliamentary debate. Mr Michael Meacher (Lab, Oldham W), who chaired the Commons committee which reviewed the Lloyd's Bill, told the House that the immunity clause limits the restraint on suit in several important ways. The clause, which he said had originally "gone extremely wide," is now confined to members of the Lloyd's community, not to policyholders.

Mr Meacher added that the immunity is limited "only to actions for damages, so that even members of the Lloyd's community can apply for the remedy of judicial review. There is no restriction where there is liability for death or personal injury or where bad faith is involved, although I appreciate the problem of proving that."

The most powerful attack on immunity for Lloyd's was made by Sir Charles Fletcher-Cooke (Darwen). He argued: "In spite of the whittling down of the original form of the clause, it exempts the society [of Lloyd's] from actions for negligence, however gross that negligence.

"That is a strong measure. It exempts the society at the suit of not only existing members of Lloyd's and other people on the fringes of Lloyd's but persons who might want to become members and people who have tried to become members and failed. The matter is not merely internal for Lloyd's."

Mr Reginald Eyre, the under secretary of state for Trade, said: "It is a fundamental principle of Lloyd's operations that members have individual and unlimited liability for the risks that they accept. If they were encouraged to think that litigation against the regulatory authority would give them a chance of access to the central funds of Lloyd's as a society, that fundamental principle would be undermined and the character of Lloyd's would be radically changed."

At this late stage a new argument has developed outside Parliament among members of Lloyd's. Those who accept that immunity is important for a new Lloyd's council to take action against the 4,000 individuals who work in the market as brokers and underwriters say that it is important to protect the interests of the 16,000 members who do not work at Lloyd's.

Lloyd's says it may have to take action speedily and effectively against brokers and underwriters operating in the Lloyd's market in the future. Hence the need for a form of immunity.

Most non-working members accept that argument. They now feel that Lloyd's, while preventing vexatious litigation by the working members in the form of suits for damages, should allow the option to seek legal redress in the courts for the non-working members, who provide the capital to allow the market to function.

Their interests, they say, could be mishandled in the future by a new Lloyd's council and they should be allowed to seek full legal relief.

Attempt may be made to release Thames Barrier equipment

BY NICK GARNETT, NORTHERN CORRESPONDENT

UNION representatives said yesterday that they expected an attempt to be made today to load a vital piece of equipment for the Thames Barrier in defiance of the three-month strike at Tees Dock.

Companies involved in the construction and shipment of the equipment—part of the gate mechanism for London's flood control system — have consistently been denied dispensation to allow the piece to be loaded on to a barge for shipping.

The equipment has been trapped at Teesport by the strike involving 535 dockers. Its release is crucial to the timing of the barrier's completion because special lifting machinery needed to haul the equipment in place is thought to be on a very tight time-restricted leasing arrangement.

The dispute, over pay and productivity, has been made official by the Transport and General Workers' Union.

The strike committee decided at the week-end not to put, at least for the time being, the employers' latest offer of 6 per cent linked to productivity improvements, to the workforce.

Mr Jim Yates, a stevedore at Tees Dock and secretary of the local TGWU branch, said yesterday that a successful attempt to move the equipment would result in a call to spread the strike to the whole of the Tees and Hartlepool Port Authority area.

If that succeeded, shop stewards would seek a national dock strike because the issue was fundamental to the maintenance of the national dock labour scheme.

Picketing of the dock estate where the gate mechanism, constructed by Cleveland Offshore, has been trapped was due to begin late last night.

A separate company, though, is responsible for loading the equipment.

Mr Yates said the dockers had the support of shore riggers, who would normally be involved in barge loading. Therefore, he was not sure how successful an attempt would be to circumvent the strike.

Plessey workers decide to continue Bathgate action

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

WORKERS at Plessey's capacitor factory in Bathgate, near Edinburgh, decided at the weekend to continue their sit-in despite having received a court injunction to leave the plant.

Plessey announced late last year that it wanted to close Bathgate operations in March because of unprofitability and the falling demand for capacitors. The closure meant about 330 redundancies.

Mr George Wilson, works convenor at the plant, said yesterday that the occupying force voted on Saturdays, to continue: The workers were determined to save their jobs.

The next move is now up to Plessey, which will have to ask for further legal action to reclaim its factory.

Mr Wilson would not speculate on whether his workers would stay in the plant till police forced them out. He said they would continue to review the situation.

Most of the workforce are women and shifts of workers have taken over the plant's administration offices.

Mr Wilson said morale was good but there was considerable bitterness over Plessey's lack of consultation about the closure, and about intimidating tactics used against workers.

He said that injunctions had workers occupying the plant but also to an apprentice who had not been asked to take part in the sit-in.

Many women facing redundancy at Plessey have husbands or sons picketing at the nearby Leyland Vehicle truck plant nearby where strike is under way to protest against British Leyland restructuring plans.

Plessey has asked workers to return to their jobs and complete orders for the closure. The company said it wants to return equipment to Italy where it was made.

Invergordon sit-in ends

BY MARK MEREDITH IN EDINBURGH

WORKERS at the Invergordon smelter in the Highlands, closed by British Aluminium at the year end, decided at the weekend to end their sit-in after agreement on redundancy terms.

The 890 workers sat in after the sudden closure announcement, to demand more redundancy pay, or efforts to keep the plant open.

About 600 other jobs related to operation of the smelter were affected by the closure. The devastating effect on the sparsely-populated Highland Region has led to Scottish Office efforts to find a new buyer for the mill.

Two companies are thought interested in Invergordon, including the U.S. Alumax, of which Mr Ian MacGregor of British Steel is a former chairman.

But partly because of the weak market for aluminium, Highland officials consider it a buyer's market. Finding the right terms for sale has been difficult.

The Royal Bank of Scotland has confirmed that it held talks with the Highlands and Islands Development Board about a possible role to fund a re-opening.

Tory politicians in Scotland hope that a solution can be found before regional elections in May.

British Aluminium will want to maintain an interest in the plant, as alumina for its two smaller smelters at Fort William and Kinlochleven are supplied through Invergordon.

Stable workers 'exploited'

BY OUR LABOUR EDITOR

STRONG CRITICISM of stable-owners for exploitation of grooms has come from the Low Pay Unit.

A report by the unit calls for the British Horse Society to hold an inquiry into wages and conditions of the 20,000 grooms, most of whom are young women. It says that the inquiry should include representatives of employers and grooms.

Case studies show that employers often regard membership of the National Association of Grooms as a cause for dismissal, or for not hiring a groom.

Half the grooms interviewed earned less than £30, and one in ten less than £10, a week. Half claimed to work more than 41 hours a week.

(Closing the Stable Door, Low Pay Review No. 7. Low Pay Unit, 9 Poland Street, London W1, £1.)

This week in Parliament

TODAY

Commons: Employment Bill, second reading.

Lords: Industrial Training Bill; Reserve Forces Bill, committee; Shipbuilding Bill, committee; Antiquities Bill, second reading; Debate on EEC Report on Annual Acount of Banks.

Select Committees: Foreign Affairs: Subject—Caribbean and Central America: British Approach to Stability, security and development. Witnesses: Ambassador of Nicaragua, Mr Roberto Espindola, School of Social Science, Bradford University (Room 6, 4.30 pm).

Energy: Subject — Combined Heat and Power. Witnesses: Herz and McCallan; Chemical Industries Association, Paper and Board (Room 8, 4.30 pm).

Public Accounts: Subject—University Grants Committee. Witnesses: Sir James Hamilton, Department of Education and Science; Dr E. Parkes, University Grants Committee (Room 16, 4.45 pm).

TOMORROW

Commons: Transport Bill, second reading.

Lords: Transport (Finance) Bill, second reading. Aviation Security Fund Regulations. Shops Bill. Question on personal savings and housing markets.

WEDNESDAY

Commons: Rate Support Grant Order (Scotland) and Housing Support Grant Order (Scotland). Harbours (Scotland) Bill, second reading.

Lords: Debate on problems of local rates and impact on ratepayers. Debate on Bahai's in Iran.

Select Committees: Defence: Subject—Ministry of Defence Organisation and Procurement. Witnesses: Joint Review Board Advisory Committee; Defence Manufacturers' Association (Room 15, 10.30 am).

Education, Science and Arts: Subject—Department of Education and Science—Expenditure plans for 1981-82 and subsequent years. Witness: Sir Keith Joseph (Room 6, 10.30 am).

Scottish Affairs: Subject—Rural Road Passenger Transport and Ferries in Scotland. Witnesses: Scottish Transport Group (Room 5, 10.30 am).

Welsh Affairs: Subject—Water in Wales. Witnesses: Trades Union Congress, Wales, and National Farmers' Union of Wales (Room 18, 10.30 am).

Home Affairs: Subject—Police complaints procedure. Witnesses: Metropolitan Police, Police Superintendents' Association (Room 8, 10.45 am).

Public Accounts: Subject—Sales of shares in British Aerospace, postponement of payments. Witness: Sir Peter Carey, Permanent Secretary, Department of Industry (Room 16, 4.00 pm).

Social Services: Subject—The age of retirement. Witnesses: Institute of Personnel Management, Association of Consulting Actuaries, Faculty of Actuaries and Institute of Actuaries (Room 17, 4.15 pm).

Transport: Subject — Transportation in London. Witnesses: Home Office officials (Room 17, 4.15 pm).

Employment: Subject—Manpower Services Commission corporate plan 1982-86. Witnesses: MSC (Room 8, 4.30 pm).

THURSDAY

Commons: Debate on Overseas Development on Opposition motion.

Lords: Reserve Forces Bill, third reading. Shipbuilding Bill, third reading. Deer (Amendment) Bill. New Towns Bill, second reading. Debate on construction of factory workshop units for small businessmen and the role of local authorities.

Select Committee: Agriculture: Subject—Less favoured areas. Witnesses: UK Agriculture Departments (Room 16, 11.00 am).

Social Services: Subject—University Grants Committee cuts and medical services.

APPOINTMENTS

Senior partner at Rowe and Pitman

Mr A. D. Hurst-Brown, senior partner, and Mr A. D. Davenport will be retiring from the partnership of ROWE AND PITMAN, stockbrokers, on April 16. Mr P. S. Wilmot-Sitwell will become senior partner on that date.

★

Mr Stuart Johnson has resigned as managing director and deputy chairman of KIRKBY CENTRAL GROUP.

★

Mr Brian Eames has been promoted to the post of managing director of TIBBENHAM PR, a subsidiary of the Tibbenham Group. Following the appointment to the board of Mr James Kirkcaldy, Mr Ken Land has been confirmed as finance director.

★

Mr Eric Epson will be retiring as chairman of the GATWICK AIRPORT CONSULTATIVE COMMITTEE when his present term of office expires on March 31. His successor will be Mr Robin Clarke, who was manager of Crawley Commission for New Towns until 1978 and chief executive of the Commission for New Towns.

★

Mr Peter Seales, chief executive of the SEA FISH INDUSTRY AUTHORITY from March 1. He will succeed Mr Charles Meek, former executive chairman of the White Fish Authority, who is retiring. Mr Seales was International marketing director of Ever Ready Holdings.

★

Mr John Fingleton has been appointed a director of SHANDWICK CONSULTANTS.

★

MORGAN GRENFELL & CO. well a consultant to Morgan Grenwell a consultant to Morgan Grenfell Property Services.

★

ITALIAN INTERNATIONAL BANK London states that Mr Nicholas Beresford-Jones is resigning from the board of Samuel Montagu & Co. and as joint managing director of Midland Montagu Asia on February 28 and will join Italian International Bank on that date as senior manager responsible for the Far East and Australasia. Italian International Bank is a wholly owned subsidiary of the Monte dei Paschi di Siena Banking Group.

★

GROSVENOR COMMODITY INVESTMENTS has appointed Miss Jaynee Graham as financial controller.

★

The NATIONAL COUNCIL OF THE FEDERATION OF MASTER BUILDERS has appointed Mr David Evans as the director for the South Wales region.

★

Mr J. B. B. Stewart has been appointed a director of NORTH BRITISH CANADIAN INVESTMENT COMPANY.

★

Mr E. P. Harding and Mr B. A. Atkins have been made directors of BANBURY HOMES AND GARDENS. Mr Harding is sales manager for the Banbury Home Improvements and Windows operations and Mr Atkins is commercial manager of Banbury Gardens operation.

★

BIGGS WALL & COMPANY has made the following appointments: Mr David Folbigg, chief estimator, has joined the management board as a divisional director, technical services, and Mr Chris Hardy has been appointed plant director.

★

Mr H. W. Francis will retire as director of the BRITISH INSURANCE (ATOMIC ENERGY) COMMITTEE and ASSOCIATED INSURERS COMMITTEES on June 30.

Mr C. J. Rix, manager, has been appointed to succeed Mr Francis as director on July 1.

★

LOMBARD INSURANCE COMPANY (UK) has appointed Mr Michael Bright as deputy general manager.

★

THE LESSER GROUP has appointed Mr A. N. (Nick) Light group managing director. He joins the company from Pentos where he was controller of the trading divisions.

★

Mr N. S. Fosh has succeeded Mr R. J. Barnes as chairman of LOMBARD TRICITY FINANCE.

★

PLYSU has appointed Mr M. J. Summerlin and Mr M. V. S. Macintyre to the board.

★

Mr Jeff Callaghan has been appointed an executive director of INSECT-O-CUTOR.

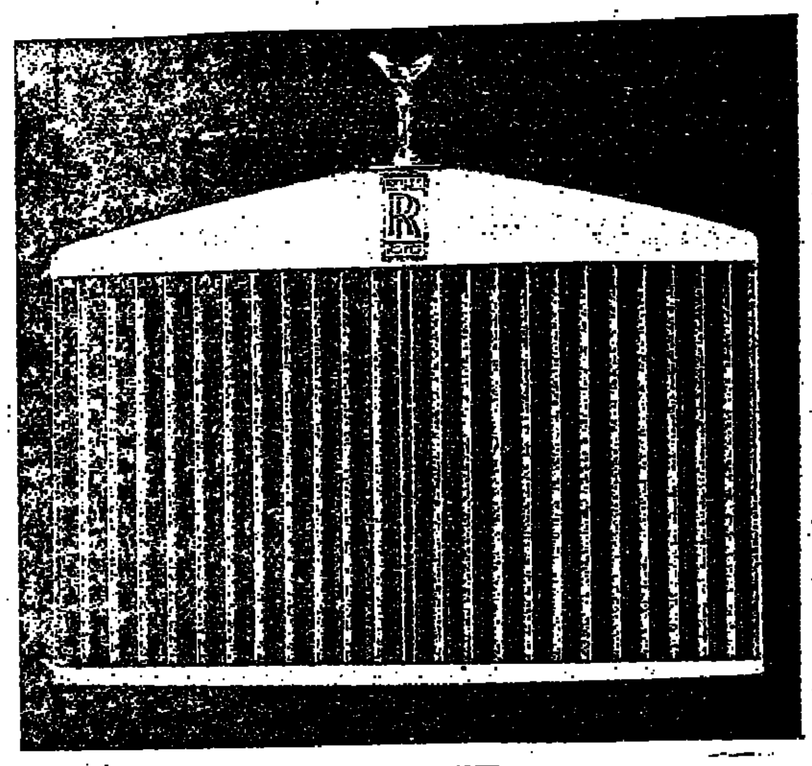
★

MERSEY DOCKS AND HARBOUR COMPANY has appointed Mr Trevor Furlong as port services director: Mr Frank Major as cargo operations director; and Mr Bernard Cliff as personnel director.

★

SPECTROL RELIANCE, Swindon, has appointed Mr Fred Welfare as marketing and production planning director, and Mr Alan Benfield as manufacturing director.

★



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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

'Quick to plan but slow to react'

"Several years from now, it will be a textbook case of what not to do when one acquires a host of small companies to create a large office automation group. It is a classic example of having made all the mistakes you can possibly make. From the start they were attempting the impossible."

This is how Sanford Garrett, the electronics industry analyst of Paine Webber Mitchell Hutchins, the Wall Street investment house, describes Exxon's foray into the office equipment market—a view generally shared by other analysts of the industry.

More than a decade after Exxon started investing in the information systems industry—a move applauded at the time as a bold and significant diversification by the world's largest oil company but which accounts for less than ½ per cent of its total sales of more than $100bn a year — the impression is growing in the business that Exxon is having second thoughts about its venture in electronics and is preparing a phased exit out of the industry. "I give them 18 months to move out of the automated office," Garrett speculates.

Exxon started buying small high technology companies about 15 years ago, grouping them under the umbrella of a subsidiary called Exxon Enterprises. In an interview some years ago, Clifton Garvin, chairman of Exxon, said: "It made sense to open what we call windows of opportunity to take risks on ideas developed by inventors. The original idea was to pursue energy areas, but it turned out that three or four ideas in the field of office equipment emerged that made commercial sense, and so we went along with them."

On paper, at least, the diversification seemed promising. Over the years, Exxon acquired half a dozen small high technology companies, not all in the office equipment market. But those in this business, including QYX, which developed the first electronic typewriter, Vydec, a maker of word processing systems, and QWIP, a manufacturer of facsimile transmission machines, looked the most promising of all.

Exxon, in what the company now admits may have been a somewhat overdone public relations exercise, announced to the world it was about to take on the likes of IBM and Xerox. "At the time, everybody thought everything we did was wonderful. We could do no wrong," an Exxon official recalled. "Now, probably because we are mighty Exxon, everything we do outside oil is regarded as a disaster."

But the problem was that Exxon, in spite of its obsession with long term strategic planning, never produced a credible overall strategy as to how these companies were to function as a group.

Exxon's other major and more recent diversification in the electrical and electronic field was its $1.17bn acquisition in 1979 of the Reliance Electric Company. This venture has hardly helped Exxon's public image. The acquisition so far has been a major disappointment to Exxon and, like Exxon Enterprises, the subject of growing criticism about the company's diversification strategies. Much to the embarrassment of Exxon, the company announced last year it was dropping a much publicised energy saving device called "the alternating current synthesizer" developed by Reliance and one of the main reasons why Exxon originally decided to buy the electrical company.

The company's critics place the blame for Exxon Enterprise's difficulties squarely on Exxon's management. One critic claimed that Exxon's major mistake lay in not recognising that the real asset of the high-technologies it acquired was their entrepreneurial talent. Garrett agrees. "One of the first things they did was to drive out the entrepreneurs who could not be controlled along the lines corporate Exxon wanted." Another error, in his opinion, was the assumption that Exxon could build a strong office equipment company by simply bringing together a number of technologically disparate companies.

There have been other errors: a lack of new product development; inflexibility in a highly competitive and changing market; a preoccupation on the longer-term economic justifications of the diversification with the emphasis placed on strategic planning rather than on swift market response. Exxon has been described as always quick to plan but often slow to react. Even when the company came up with a new product, like the Vydec 4200 word processor in 1978, it had to scrap it because, in the words of Robert Contino, who now oversees Exxon's office equipment operations: "It had not been designed with the necessary market sensitivity. Our people went astray."

But in the past 12 months, Exxon has finally reacted. The consolidation of its office equipment businesses into a new subsidiary called Exxon Office Systems (EOS), which still reports to Exxon Enterprises but has a new and independent management team, is the first major step in a sweeping reorganisation of Exxon's high technology ventures.

The new subsidiary has already made some major organisational changes of its own, spelled out a clearly defined policy to try to bring the businesses in the black by the final quarter of this year and brought out a new word processor—the series 500—which it hopes will be the centre-piece for recovery and growth.

Exxon Enterprises too has been shedding some assets, selling some of the high technology companies it feels no longer fit into the group's strategy.

If the strategy of focusing on the office of the future succeeds it will become a textbook example of how to put a company back on the right track against the heaviest of odds. Exxon certainly has the financial muscle to give this strategy a chance. But, right now, the cynics outnumber the optimists.

Paul Betts ponders the oil giant's attempts to diversify

Will Exxon close the office door?

APPEARANCES COULD hardly be more deceptive. Robert Contino sits in a gleaming new office at Stamford, a quiet and leafy corner of Connecticut about 30 miles north of Manhattan where numerous major U.S. corporations have established headquarters or divisional headquarters.

But Contino is anything but relaxed. Since coming to Exxon just over a year ago, as head of Exxon's new office equipment subsidiary, Exxon Office Systems (EOS), he is facing a task few managers would envy. The future of Exxon's diversification into the office of the future rests largely on his shoulders.

Contino has certainly wasted little time. Since Exxon decided to consolidate its information processors, electronic typewriter and facsimile transmission machine operations into a new subsidiary last year with its own independent headquarters in Stamford, Contino has made sweeping changes in an effort to give these businesses a sense of direction they have always lacked.

The new subsidiary is now an independent unit of Exxon Enterprises. This is the electronics division of the oil company which has been investing in several high technology ventures, ranging from optical systems to microprocessers during the past decade, but which has failed dismally to integrate them successfully.

Contino, a former marketing executive at IBM, inherited what amounted to a management nightmare. All the companies consolidated into EOS were the relics of some of the original ventures Exxon acquired in the early 1970s and they had done very little, if any, new product development in recent years, Contino maintains. In contradiction to Exxon's critics, that there was a surfeit of entrepreneurial talent in the organisation and that this made it difficult for Exxon to devise a cohesive strategy.

On the other hand, the departure of these entrepreneurs and the failure to mould them into the Exxon structure deprived the oil company of the managerial talent needed to develop its automated office business. Indeed, most companies which acquire a high technology operation usually make it a top priority to retain the very people who made the company in the first place.

Contino, with a new management team largely drawn from former IBM executives, has cleared deadwood by reducing the workforce the new company inherited from 6,000 employees to 4,000 and by shutting down QWIP production at the Orlando, Florida, plant and transferring it to a plant in Pennsylvania which produces QYX electronic typewriters.

But the layoffs and the Orlando plant closure have caused increasing speculation that the moves, rather than reflecting a reorganisation, are signalling a retreat. This suggestion has been further fuelled by the recent decision of Exxon Enterprises to sell some of the ventures it acquired and which have not been consolidated in the EOS subsidiary.

But both Contino and Exxon Enterprises officials claim this in no way means Exxon is pulling out of the information business. "It is part of a reorganisation and as far as EOS is concerned, I am confident Exxon wants to stick with the business," Contino says.

When EOS announced in December that it had set itself a target to operate finally in the black by the last quarter of this year, speculation on Wall Street heightened that Exxon had set its office equipment business a deadline—either you stop losing money soon or we get out.

But Contino contends: "This is not a deadline imposed from the outside. The deadline was internally imposed by us since we recognised the need to meet a definite target." However, after a year-long reorganisation and continuing losses, the problem remains of how EOS meets the deadline.

Success or failure will depend on the company's new product and marketing strategy in a business which is increasingly becoming a marketing poker game rather than a technological game.

"Our product strategy is based on the need for a basic information processor, and the newly launched 500 series is the cornerstone of this strategy," Contino says.

The series 500 will act as the springboard to a new systems concept that will provide the base for a new generation of compatible Exxon office products. "The next generation will no longer be stand-alone products as conceived today. They will be compatible systems designed for the office of the future," he says.

The main thrust of this strategy is to offer fully integratable and compatible systems with terminals which can also be used as stand-alone products offering a broad range of office applications. It is all part of what Contino calls a sharpening of product and market focus.

The future of EOS will thus initially and ultimately depend on how the 500 series fares in the market place. The information processor is generally regarded by the industry as fine a product as any currently on the U.S. market. But it is not produced by EOS.

When Contino came to Exxon, one of the first things he did was to scrap two of the latest information processor systems developed by Vydec which, in his own words, had proved marketing disasters and had been conceived with no idea of changing market demand. He also wanted to come out as soon as possible with a new generation of information processors. To develop a new product from scratch would have taken too long. Contino thus turned to Compucorp, a Los Angeles computer maker, which had developed and was already marketing a successful word processor. This incorporated the popular Z80 microprocessor, developed by Zylog, one of Exxon Enterprises' brightest subsidiaries which has set an industry standard with its chip.

The Compucorp product fitted Contino's requirements though EOS has modified and redesigned it in part. And while Compucorp is responsible for initial production of the 500 series, EOS will start manufacturing its own units later this year.

EOS also plans to enhance its current line of stand-alone typewriters and facsimile transmission products. But Contino gives the strong impression that these "former glories" of Exxon Enterprises will play an increasingly smaller role in the new company's future.

Industry analysts are still sceptical. They have little to fault in Contino's longer term thinking, but they doubt he will be able to achieve the quick results which Exxon appears to be demanding.

Although EOS says it has several new products in the pipeline, the market would like some firmer evidence that these proposed new follow-up products to the 500 series are at an advanced stage of development. In any event, last year's reorganisation has proved an expensive exercise. The electronic typewriters, the facsimile transmission machines and the former Vydec products have all been swimming in red ink.

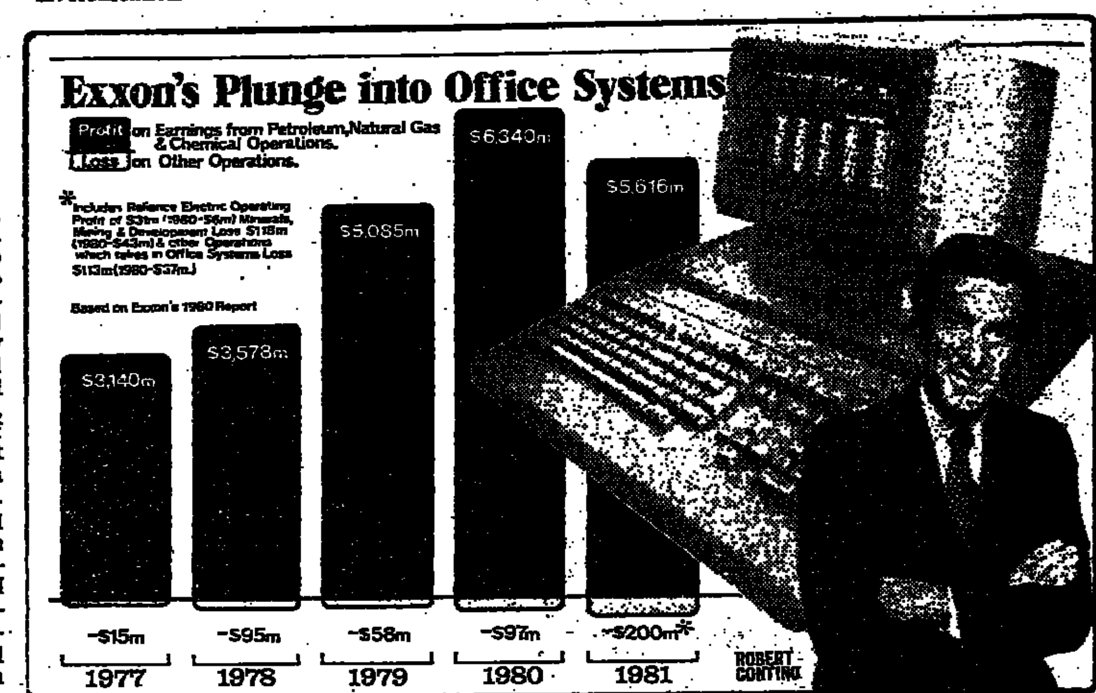
Contino would not disclose how much they lost except to predict that EOS's revenues for last year would probably top $200m. But analysts estimate these operations lost more than $100m last year.

At the end of January, when the giant oil company reported earnings of $5.565bn on revenues of $115bn for 1981, it said it had lost $113m last year from its non-energy and natural resources operations. The figure also does not include the results of Reliance Electric which Exxon bought three years ago for $1.77bn.

The company said most of the losses in what it vaguely defines as "other operations"—and which increased sharply from losses of $37m in 1980—came from Exxon Office Systems. Clifton Garvin, Exxon's chairman, said they "resulted from one time costs associated with streamlining the organisation and disposition of obsolete inventory."

One of Contino's problems is that he is not starting with a clean slate, but rather he is attempting to give the company new direction at the same time as digging it out of a hole. He now has an integrated marketing force of some 600 people, which is large by industry standards, and is facing an increasingly tough market place as a result of the general U.S. economic slowdown with American companies, large or small, delaying for the time being at least capital spending on office automation.

Ultimately, the future of EOS boils down to one simple factor. Will Exxon give Contino enough time to turn the subsidiary round? "As long as what we do makes sense, I think so," he says. Exxon is clearly rich enough to keep the operation going. But major oil companies have become increasingly cost conscious and at times positively stingy in the face of declining earnings from their traditional oil and energy businesses.



BUILDING AND CIVIL ENGINEERING

Dow-Mac wins Iraqi sleeper order

DOW-MAC Concrete's success in beating Japanese competition to pick up a near-£20m contract from Iraq, represents a coup worth £80m to the company over the next six years.

The contract, to build a railway sleeper factory eight miles from Baghdad and then commission the plant to produce 2½m sleepers in five years or less, represents the Norcros group's largest ever single order.

Norcros, which last week announced the closure of its Hygena kitchen furniture operation, is understandably delighted at the Dow-Mac achievement and claims that the two-part contract came its way despite a substantially lower tender price from the Japanese.

The new plant is to be built alongside a similar factory completed at a cost of £10m by Dow-Mac three years ago and, together, the two will represent the largest sleeper manufacturing operation in the world. On completion of commissioning, the combined sleeper capacity will be in excess of one million a year.

The new factory should be ready for commissioning in June 1983 and, at today's prices, the varied price contract to produce sleepers is worth £59m. The total could be more as the contract allows for actual cost of materials and price per sleeper to be adjusted in line with the UK retail price index.

Other Norcros companies are expected to benefit from the deal because overhead cranes and general steel fabrication work will be needed. This could be worth up to £750,000 and John Smith (Keighley) and Tinsley Moulds in Darlington are likely to benefit.

The work has come after about two years of talks and it was in August 1981 that Dow-Mac submitted its scheme to the New Railways Implementation Authority. Iraq has one of the world's fastest-growing railway networks and in the next eight years will require an estimated 11m sleepers.

The Authority drew up a shortlist of two and Dow-Mac finally beat off the Japanese. Mr Tony Darroch, Dow-Mac managing director, said: "We won the contract because of our previous performance, the established relationships we had with the Iraqis, the service we had given them and the advances in production technology.

"The Japanese could copy earlier factory methods but they could not match our new methods of electrical curing."

Mr Darroch said that the order should provide vitally important continuity of work for all Dow-Mac factories, and UK personnel would be involved in commissioning the Iraqi plant.

Dow-Mac's sleeper business has continued to grow in recent years, with a commonplace product generating important revenue from overseas. An existing contract in Zambia has just been extended and a contract in Saudi Arabia has also been signed. In the UK, British Rail has just renewed the company's contract for another five years, involving the production of £10m worth of sleepers.

Dow-Mac is also contributing to the success of Hollow Core Systems (Mid-East), of London and Derby, which has been awarded the contract to erect and provide technical management for a railway sleepers plant for Saif Noman Said and Partners in Riyadh. The plant will use Dow-Mac expertise and designs.

This is the first private factory of its kind in Saudi Arabia and results from the award by Railway Construction Pakistan, of Islamabad, to supply 330,000 sleepers for the Hofuf-Khurais section of the Hofuf-Riyadh direct line of the new Saudi Arabian railway system.

An artist's impression of the new terminal currently being built by the South Eastern Region fo John Laing Construction at Luton Airport. Completion is due in the summer of 1983.

IMPROVEMENTS TO give Luton Airport enhanced passenger facilities are to be carried out by **John Laing Construction** under a £4.5m contract to rebuild and enlarge the terminal.

Work has started and forms the second phase of an overall plan by Luton Borough Council to modernise the airport to handle more than 3m passengers a year.

Due for completion in the summer of 1983, the second phase includes construction of a larger two-storey terminal building, with a lower floor of about 25,000 sq ft and mezzanines above, and phased demolition of existing timber-framed buildings.

The contract includes construction of a steel frame, partly through the existing building; a new metal deck roof with grp facia units, and external cladding of facing brick and bronze anodised aluminium windows and doors. Internal works includes marble entrances.

Recession in U.S. and Japan

HIT BY high interest rates and sharply reduced Government spending, the U.S. building industry showed little or no growth last year, but commercial construction did better than homebuilding.

Total value of new construction contracts was $150.2bn (£79bn), only a nominal increase on the $148.4bn (£78bn) of 1980, according to F. W. Dodge, the New York research company that tracks the building industry.

Housing construction fell to a rate of 1.1m new starts, down from 1.3m the year before, and the worst rate for 35 years. But commercial construction was up 11 per cent, partly because of the office building boom, partly because it takes longer for commercial construction to react to high interest rates owing to the big lead times. Some observers say this means commercial construction could suffer a delayed recession.

Only bright spot at the moment is that the rate of construction picked up a bit in December as U.S. interest rates came down. But the rebound in rates in January raises doubts as to how long this can last. Many construction companies have been driven into bankruptcy, and those that survive are only managing by offering cheap finance to buyers.

In Japan the building industry is also in recession.

Japanese housing starts in 1981 totalled 1.15m, the lowest in the 14 years since 1967 when they totalled 1.04m, according to the construction ministry.

This was down 9.4 per cent from 1.27m in 1980, and reflected sluggish domestic housing demand due to a rise in construction costs and low income gains by consumers.

Housing starts last December rose 9.1 per cent to 94,500 from 86,600 in November but were down 4.8 per cent from 99,260 a year earlier. This was lower than any other December in the past 14 years.

Cut back at plant maker

INTERNATIONAL HARVESTER COMPANY is considering a plan to reduce by 50 per cent its capacity to manufacture construction equipment in the U.S.

International Harvester's construction machinery sales were $743m (£391m) in the year ended October 31. They reached a peak of $1bn (£526m) in fiscal 1979.

Despite rumours that the company has already started transferring output of crawler tractors and crawler loaders to to plant at Libertyville, Illinois, from another facility at Melrose Park, Illinois, the company says it intends to remain in the construction business.

Sugar factory in Ireland

CONSTRUCTION will be starting within the next three months in County Cork of what will be one of the largest glucose/dextrose manufacturing plants in Europe—the I£16.3m Wheat Industries project. The work is currently out to tender.

Wheat Industries is a joint venture between Fielder Gillespie, the long-established Australian wheat processing company, and the Irish State-owned chemicals and food organisation Ceimici Teoranta.

INTERNATIONAL CONTRACTS

Barclays Bank in Cairo

COSTAIN INTERNATIONAL has won a management contract with Egyptian contractor Construction and Reconstruction Engineering Company, valued at £8m, to build a headquarters for Cairo Barclays International Bank.

Costain will manage the contract at 12 Middan El Sheikh Youssef, Cairo, for completion in early 1984.

Clad in travertine marble and red granite, the 8,520 sq metre seven-storey building will have a ground floor main entrance, foyer and main staircase to the upper floors. From the lift lobby two 12-person lifts will serve all levels, and the remainder of the ground floor will consist of porter's security and electrical switchgear accommodation, staff entrance and escape stairs and a service lift. A car park will house 34 vehicles.

The first floor comprises the banking hall and offices with the bank floor and public area, clerical office, staff rooms, telex, telephone and data controller accounting rooms at second floor level.

On the third floor will be the bank floor and public area clerical office—cloakroom and conference room—and four managers' offices. Lettable office accommodation is available on the fourth to seventh floors.

The building will be of reinforced concrete frame on driven cast-in-situ piles with a sheet pile perimeter as permanent formwork for in-situ waterproof reinforced concrete wall and basement slab.

★

KIER INTERNATIONAL, a member of the French Kier Group, has been awarded a contract valued at £2.7m for the construction of water supply schemes at Leribe and Teyateyaneng, Lesotho, for the Government of Lesotho.

The 18 months work comprises wellpoint installations, intake towers, water supply mains, pumping stations, 21 km of reticulation pipelines and all mechanical and electrical equipment. Consultants are Binnie and Partners (Lesotho).

★

ZENITAKA CORPORATION, a Japanese construction firm, has received a Y930m (£2.1m) order for the construction of a regional Southeast Asia educational centre in the Philippines.

The centre will be built as part of Japanese economic assistance to the five member countries of the Association of Southeast Asian Nations (ASEAN). Members of Southeast Asian Ministries of Education Organisation (SEAMEO), will be able to use the centre.

The centre will be constructed in the University of the Philippines in Quezon for completion in March 1983.

★

REDLAND PIPES' GRP division has been awarded a contract worth over £850,000 by Humphreys and Glasgow for the supply of glass reinforced plastics pipes and fittings for the water intake pipelines to run from the Blue Nile in Khartoum, Sudan, to the new Khartoum north thermal power station. Included with this order are the main power station cooling pipes from the turbine condensers to the cooling water pumphouse and cooling towers. Precise quantities are still to be determined.

★

GOTAVERKEN ARENDAL, Sweden, has signed a contract with Wilh Wilhelmsen, Norway, to convert a semisubmersible accommodation rig into a tender support vessel. The rig, SSV Treasure Hunter, is operating as an accommodation rig at the Brent Field in the British sector of the North Sea. After the conversion Treasure Hunter will be chartered to Esso Exploration, Norway. Esso are operators at the Odin Field. Treasure Hunter will be installed besides the Odin production platform to provide necessay services during the hook-up and drilling phases. Scheduled installation of Treasure Hunter is mid-1983.

★

Site accommodation destined for Hodeidah in the Yemen Arab Republic has been supplied by **LESSER BUILDING SYSTEMS**. The contract, consisting of individual bungalows and a batchelor living complex, is valued at £45,000.

UK CONTRACTS

Lawrence wins £18m orders

WALTER LAWRENCE has secured construction contracts worth over £18m covering both the public and private sectors. Among these is the first phase of Lewisham General Hospital which is due to start next month and is valued at £5.9m.

New housing accounts for some £2m of new work and refurbishment work in London accounts for £3.3m. Among the refurbishment contracts are Kennington Tube Station and 157-159 Fenchurch Street. New housing is being undertaken at Sunbury Road, Feltham, Middlesex and Elm Tree Road, NW8.

The company has secured a contract for work at RAF Marham valued at £3m, office development for the Phoenix Assurance in Wellesley Road, Croydon valued at £2.5m and the rebuilding of Charlton Upper School, SE7 at £1.3m.

★

A £5.5m contract for airfield works construction has been awarded to HENRY BOOT CIVIL ENGINEERING by the Property Services Agency. Within this contract is the construction of a single-storey reinforced concrete operation centre complete with plant rooms and other comprehensive services. In addition, five reinforced personnel shelters are to be constructed. Completion is scheduled in 18 months.

Henry Boot has been awarded a £1.6m contract by British Nuclear Fuels for the design and construction of a transport system for the transfer of materials from the Sellafield plant to Drigg disposal facility. Completion by August.

A further two contracts have also been received involving an additional £500,000 rail track line from Calder to Windscale.

★

Member companies of the CARTWRIGHT GROUP have been awarded building and civil engineering contracts worth over £5.4m. Largest contract, worth £1m, awarded by Leeds City Council, is for the construction of 62 dwellings and associated road works at Ripley Terrace, Stanningley.

★

R. MANSELL has orders worth over £4m, the majority in the private sector undertaking major refurbishment. The largest contract, valued at £1.1m, is at 15-17 Chase Street, EC1 where buildings are being altered, extended and completely refurbished.

★

Two health contracts totalling over £3.2m — one for a geriatric unit in Blackpool and the other for an elderly severely mentally infirm centre in Oldham — have been awarded to JOHN LAING CONSTRUCTION.

TELEVISION

BBC 1

9.05 am For Schools, Colleges. 10.30 You and Me. 10.15-12.00 pm For Schools, Colleges. 12.30 News After Noon. 1.00 Pebble Mill At One. 1.45 Camberwick Green. 2.01 For Schools, Colleges. 3.00 Delia Smith's Cookery Course. 3.25 See Hear. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Winsome Witch. 4.25 Jackanory. 4.40 Playhouse. 5.05 John Craven's Newsround. 5.10 Blue Peter with Simon Groom, Sarah Greene, Peter Duncan.
5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.55 Doctor Who.
7.20 The Rockford Files starring James Garner.
8.10 Panorama, presented by Robert Kee, reports on the rail dispute.
9.00 News.
9.25 Last of the Summer Wine starring Bill Owen, Peter Sallis and Brian Wilde.
9.55 Police: series filmed over nine months inside the Thames Valley Constabulary (Training Recruits).
10.40 Film 82 with Glyn Worsnip.
11.10 Big Jim and the Figaro Club starring Norman Rossington, Roland Curram and Priscilla Morgan.
11.38 News Headlines.
11.40 Speak for Yourself: "Late for Work."

Chris Dunkley: Tonight's Choice

The team from Not The Nine O'Clock News have clearly not lost their touch: after the first edition of the new series last week there were 200 complaints, some about the joke against America's Polish propaganda programme, others concerning the joke about Polish safe breakers ignoring money and stealing a stale roll. The team were bang on target both times. We shall be lucky if tonight's programme (BBC 2) is as good.

Horizon which follows is called "Notes Of A Biology Watcher" and explores the idea put forward by Lewis Thomas that individuality is crucial to the way that nature works.

Police on BBC 1 deals with recruits. Within a week of joining the police, they have received their uniforms and been sworn in before a magistrate as constables. After 12 weeks of basic training they join their first station; the first two years are probationary and for the first month they are under the guidance of an experienced senior.

On Radio 4 (long wave) Daniel Massey starts reading a new Book At Bedtime, "Charmed Lives," in which Michael Korda surveys the life of his uncle Alexander.

BBC 2

10.10 am Managing the Micro. 10.35 Speak for Yourself. 11.00 Play School. 11.25 Play It Safe. 11.35 Write Away. 2.00 pm A Child's Place. 2.25 Maths Help. 2.40 Other People's Lives. 3.05 The Computer Programme. 3.30 Business Club. †3.55 Star Movie: "Honky Tonk," starring Clark Gable. †5.40 Laurel and Hardy in "Come Clean."
6.00 Maggie.
6.25 Mr Smith's Favourite Garden.
6.50 News Summary.
6.55 Riverside.
7.30 The Genuine Article.
7.55 Porridge.
8.25 Grace Kennedy.
9.00 N.O.T.T. (N.O.T. Thenineoclocknews).
9.25 Horizon.
10.15 West Country Tales.
10.45 Newsnight.
11.30-12.00 Télé-Montage.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Do It Herself. 1.00 News plus FT Index. 1.20 Thames News with Robin Houston. 1.30 About Britain. 2.00 Money-Go-Round with Joan Shenton and Tony Bastable. 2.30 Monday Matinee: "Strange New World," starring John Saxon. 4.15 Dangermouse. 4.20 Graham's Ark. 4.45 The Book Tower. 5.15 Mr and Mrs.
5.45 News.
6.00 Thames News with Andrew Gardner and Rita Carter.
6.25 Help with Viv Taylor Gee.
6.35 Crossroads.
7.00 Wish You Were Here with Judith Chalmers, Chris Kelly and Ed Stewart.
7.30 Coronation Street.
8.00 Let There Be Love: starring Paul Eddington, Nanette Newman and Henry McGee.
8.30 World in Action.
9.00 Hill Street Blues.
10.00 News.
10.30 "Revenge," starring Joan Collins and James Booth.
12.10 am Close: "Sit Up And Listen," with Ian Partridge and his sister Jennifer.

†Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. †2.30 Monday Film Matinee: "Cary on Cabby," starring Sidney James, Hattie Jacques and Kenneth Connor. 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 10.30 Anglia Reports. 11.00 The Palace Presents. 12.00 Superstar Profile. 12.30 am Reflection.

BORDER

1.20 pm Border News. 2.00 Film: "The Mind of Mr Soames," starring Terence Stamp. 3.45 Money-go-Round. 5.15 Bygones. 6.00 Lookaround Monday. 6.15 The Sound of ... Wout Steenhuis. 6.30 Mr and Mrs. 10.30 Thriller. 11.40 Border News Summary.

CENTRAL

1.20 pm Central News. 2.00 The Monday Screen Matinee: "All The Way Up," starring Warren Mitchell. 3.45 Money-go-Round. 5.15 Mr and Mrs. 6.00 Central News. 10.30 Parents and Teenagers. 11.00 Central News. 11.05 Left, Right and Centre. 11.45 Paris by Night. 12.15 am Something Different.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.30 The Monday Matinee: "All The Way Up." 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 The Two of Us. 10.28 Channel Late News. 10.35 Ladies Man. 11.05 Golfing Greats (Gary Player). 11.30 Barney Miller. 11.55 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. †2.30 Monday Matinee: "Double Bunk," starring Ian Carmichael, Janette Scott, Sidney James and Liz Fraser. 6.00 North Tonight. 6.30 Cause for Concern. 10.30 Monday Movie: "Barbarella," starring Jane Fonda. 12.20 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.30 Monday Matinee: "Penny Gold." 5.15 Dick Turpin. 6.00 Mr Merlin. 6.30 Granada Reports. 9.00 Quincy. 10.30 Danger UXB. 11.30 City of Angels.

HTV

1.20 pm HTV News. †2.30 Monday Matinee: "The Passionate Friends," starring Ann Todd, Claude Rains and Trevor Howard. 5.15 Diff'rent Strokes. 6.00 HTV News. 10.28 HTV News. 10.30 Soap. 11.00 Haircut 100. 11.30 Parents and Teenagers.

HTV Cymru/Wales — As HTV West except: 12.00-12.10 pm Fflalabalam. 4.15-4.20 Mr Magoo. 4.45-5.15 Sêr. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 11.00-11.30 World in Action.

SCOTTISH

1.20 pm Scottish News. 2.00 Monday Matinee: "The Death Train." 3.45 Money-Go-Round. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 Late Call. 10.35 Golfing Greats (Tom Watson). 11.05 Thriller: "Cry Terror."

TSW

1.20 pm TSW News Headlines. 2.30 "All the Way Up," starring Warren Mitchell. 4.12 Gus Honeybun's Magic Birthdays. 5.15 Emmerdale Farm. 6.00 Today South West. 6.30 The Two of Us. 10.32 TSW Late News. 10.35 Ladies' Man. 11.05 Golfing Greats (Gary Player). 11.30 Barney Miller. 11.55 Postscript. 12.00 South West Weather.

TVS

1.20 pm TVS News. 2.30 Monday Matinee: "Trottie True," starring Jean Kent. 5.15 Radio. 5.30 Coast to Coast. 6.00 Coast to Coast (continued). 6.30 Haircut 100. 10.30 A Full Life. 11.00 Thriller: "Appointment With A Killer." 12.25 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. †2.30 Monday Matinee: "The Last Shot You Hear." 5.15 Happy Days. 6.00 North East News. 6.02 Mr and Mrs. 6.30 Northern Life. 10.30 North East News. 10.32 Briefing. 11.15 Lou Grant. 12.10 am Post's Corner.

YORKSHIRE

1.20 pm Calendar News. 2.30 Monday Matinee: "Trottie True," starring Jean Kent. 5.15 Mr and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 It's A Vet's Life. 9.00 Quincy. 10.30 There's Life North of Watford. 11.00 Lou Grant.

RADIO

(S) Stereophonic broadcast
‡ Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News: Sport. 6.00 John Dunn (S). 8.00 Folk On 2 (S). 9.00 Humphrey Lyttleton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Monday Movie Quiz with Ray Moore. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This week's composer: Berlioz (S). 10.40 English Organ music (S). 10.40 Haydn (S). 11.00 York Winds (S). 11.35 Reger and Bartok concert (S). 1.00 pm News. 1.05 BBC lunchtime concert (S). 2.00 Matinee musicale (S). 2.50 The Songs of Mussorgsky (S). 3.15 New records (S). 4.55 News. 5.00 Mainly for pleasure (S). 7.00 Aspects of the Blues. 7.30 Orlando String Quartet recital, Part 1 (S). 8.20 Reflections of a UK-Caribbean. 8.45 Recital Part 2 (S). 9.15 "Ulysses": A cantata by Matyas Seiber to words by James Joyce. 10.15 L'Ecole d'Orphee (S). 10.30 Jazz in Britain featuring the Mike Westbrook Orchestra (S). 11.00 News. 11.05-11.15 Nielsen (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week On 4. 8.45 Miles Kington with a selection from the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Legal, Decent, Honest and Truthful (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Women's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.35 Back in Ten Minutes. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 Just a Minute (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

Divorce and the public purse

THE WEEK IN THE COURTS
BY JUSTINIAN

THE GOVERNMENT has for the time being deferred its intention to enact the recommendations of the Law Commission on the financial consequences of divorce;* the forthcoming Administration of Justice Bill is considered to be an inappropriate vehicle for effecting changes in family law. Meanwhile, the public debate about the private and public financing of the earthenware of broken marriages and one-parent families continues in full flood.

The proposals of the Law Commission are acknowledged by the Commissioners to be essentially modest. The main proposal is to change the direction of the law, away from exercising powers so as to place the divorcing parties in the financial position in which they would have been had the marriage not broken down, towards a search generally for a "clean break," that is to say a final settlement of the financial obligations at the time of the divorce so that both parties can start out fresh on new lives.

It will not be possible always to achieve such a smooth and clean transition from marriage to independence, especially where there are dependent children. In any event, such a change will largely endorse what the courts have been adopting as a sensible development for some years now. It is a policy that has been propounded with increasing stridency by husbands and second wives who complain that the present law produces harsh results, because so often the second family finds the going rough when the breadwinner, and even his second spouse, have to eat into their incomes to meet the financial burden of the earlier broken marriage.

It is recognised that any material change in the continuing obligation to maintain a divorced wife may have an impact on the public purse. Some discarded wives who currently derive at least a certain level of support from periodical payments by their former husbands might have to turn to supplementary benefit because they were unable to find adequately paid work. And those who are partially supported out of public funds would become so to a greater extent.

The added cost to the public purse, or rather the size of it, would be a matter of pure guesswork. On this score the Law Commission is commendably frank. Nobody knows what the overall cost of providing enhanced benefit to one-parent families would be. When the divorce law was changed in the early 1970s no monitoring of the law in action was undertaken, and anyone framing social policy in this field flounders in a sea of ignorance.

Until we begin to know the size of the problem no sensible policy for handling the financial (and other consequences) of divorce will emerge. Accordingly, the Law Commission has already started discussions with the Office of Population Censuses and Surveys with a view to conducting two surveys. One is to ascertain public opinion on a whole range of issues associated with broken marriages. The second involves an examination of court records and interviews with a representative sample of those affected, with the idea of eliciting reliable information about how the law works in practice.

Even without the necessary information, the simple fact remains that most people do not have sufficient income to maintain two families, or, where a second family is not involved, two households. The Finer Committee on One-Parent Families, which reported in 1974, examined in great detail the interrelationship between the private law of maintenance and the public law of social security. It made elaborate proposals designed to overcome some of the special difficulties encountered by one-parent families. Most of them remain unimplemented. But the argument about how far, if at all, the law should shift the emphasis towards state intervention in financially supporting broken homes continues unabated.

The Finer Committee readily appreciated that the legal scene was a chaos of overlapping jurisdictions and conflicting philosophies. The historical development of the law was such as to create three separate systems. One served the wealthy and the powerful; another was for the remainder of the economically independent population, and the third dealt with the destitute—the poor who, for whatever reasons, did not earn their own subsistence. A main function of the Poor Law was to enforce a distinction between the independent poor, who earned their own subsistence, and paupers, who did not. What has changed in the law's approach?

The Poor Law was not only a law about the poor; it was a law of the poor. Its special legal provisions were designed not to solve the causes and problems of destitution, but to minimise the cost to the public of maintaining the destitute. The concept was the assumption of public responsibility for the support of the poor and of the necessity it entailed of keeping public expenditure down.

After 1948 the Poor Law was replaced by national assistance and, later, supplementary benefits. The object of both these systems was to provide income maintenance, but without the stigma of pauperism. Thus, there was no clean break with the old administrative attitude and practice of operating a family law for the dependent poor separate and distinct from the economically independent families. And so they remain separate.

Such an analysis of the contemporary scene led the Finer Committee to recommend the abolition of the family jurisdiction of magistrates and the establishment of family courts for all problems associated with broken homes. Far from adopting the first of these two changes, Parliament in 1978 endorsed the century-old power of magistrates summarily to award maintenance to separated wives and children, but leaving divorce for the higher courts. Much less use is made today of the magistrates' courts, but the rigid separation of the two jurisdictions is maintained.

As for the recommendation to consolidate the two systems of courts, there has been a wide acceptance of the idea. Lord Hailsham himself has gone on record as saying that "if the system can be grafted on to the pyramid of existing courts I am a family courts man." His apprehension has been on the score that there would be a great deal of "difficulty inside and outside of the government machine before it becomes law." Again, the question that is uppermost in the mind of reformers is the cost of reorganising the court system. Many believe that the cost of enhanced state support for one-parent families is exaggerated.

* *Family Law: The financial consequences of Divorce. Law Com. No. 112, December 14, 1981*

RACING
BY DOMINIC WIGAN

NEITHER Night Nurse nor Lesley Ann succeeded in getting in a blow against Bregawn in Saturday's Freshfields Holidays Handicap, but their Cheltenham Gold Cup supporters and well-wishers need not worry unduly.

Night Nurse, who has never excelled at Kempton, was not given too severe a race by Jonjo O'Neill once it became obvious that the 11-year-old's attempt to give 20 lbs to Bregawn was failing: neither was Lesley Ann given a hard race after being outpaced early on.

Three years the junior of Night Nurse, but a chaser of far less pace, Lesley Ann found Sunbury's flat right-handed track far too sharp and her astute handler, David Elsworth, will be anxious that the going on March 18 is holding and that there is a good pace from the start. Without these, Lesley Ann's chance is almost non-existent.

For Border Incident neither the 1982 Gold Cup nor any in the future are now, sadly, within reach. Richard Head's one-time outstanding prospect won such races as the Embassy Final, but has been plagued with injury troubles in recent years and Saturday's race did nothing to dispel the fear that he will never again do well. Pulled up after the penultimate fence when floundering badly at the back of the field, Border Incident had been going well for Francome in the first half of the race only to fade right out of contention in the last half mile.

This afternoon at Wolverhampton, Mercy Rimell, who has been associated with four National winners, will almost certainly add to her score. In addition to saddling Celtic Brew for the opening division of the Bishop's Wood Novices Hurdle, she has Avogem, the obvious selection for the Beckbury Handicap Hurdle. Although both should win, my idea of the best bet on the Midlands track is Burrough Hill Lad, among the runners for the Belvide Novices Chase. Last time out, Jenny Pitman's novice did well to run Applalto to two lengths at level weights over three miles at Leicester.

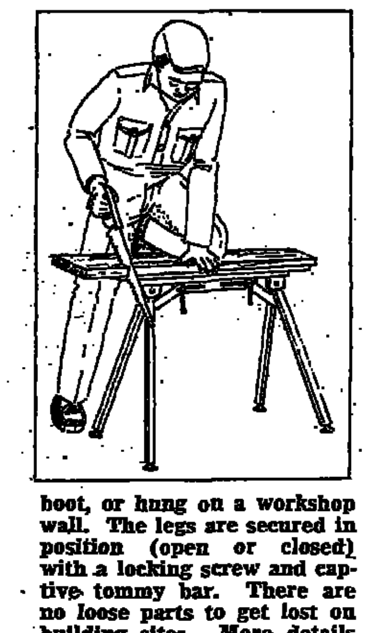
FONTWELL
2.30—Shackleton's Flier
3.00—Prince Bless
4.00—Court Green

WOLVERHAMPTON
1.15—Celtic Brew**
1.45—Driving
2.15—Burrough Hill Lad***
4.15—Avogem*

BUILDING AND CIVIL ENGINEERING

WHAT'S NEW IN BUILDING

Carpenters and joiners tend to prefer traditional equipment and methods, but sticking with the usual timber trestle or saw horse can cause problems when it has to be transported from site to site—a wooden trestle also takes too much space in cramped workshops. F. H. S. Engineering, a small sheet metal fabrication and tool-making company in Sawston, Cambridge, has developed a neat solution—a metal version of the carpenter's trestle which folds flat. Fitted with an easily replaceable timber top, it stands 24 ins high (with adjustable feet for uneven surfaces), and is robustly constructed from box-section steel. Tested at Cambridge University metallurgy department, it withstood ½ ton before collapse. The trestle top is 30 ins long, and when the legs are folded flat, the unit can be carried in a car boot, or hung on a workshop wall. The legs are secured in position (open or closed) with a locking screw and captive tommy bar. There are no loose parts to get lost on building sites. More details of the Foltress, as this metal saw horse has been named, are available on 0223 835144. *Drawn by Robin Coles, written by Tony France.*



*

A NEW range of foam-filled industrial sectional doors, designated types SPU and APU, is available from Hormann (UK), Ashville Trading Estate, Cambridge Road, Whetstone, Leicester (0533 861404).

The APU door has aluminium extruded sections with single or double clear Plexiglas infill, and can be made up to seven metres wide by five metres high.

A steel-insulated version of the SPU has an installed U value of 0.8 and comes complete with fixing frame and seals up to eight metres wide by five metres high.

*

SCHLEGEL (UK) ENGINEERING has introduced a new range of void and angle formers for use in concrete construction joints. Because they are made of pvc, the company claims they not only produce a better joint but are re-usable. More from Schlegel on (0462) 81500.

*

The Chipboard Promotion Association has issued its first 1982 leaflet. Dealing with the use of chipboard in roofing applications it covers the qualities of moisture resistant chipboard, on-site storage and handling techniques.

Better way to heights

HILTON (PRODUCTS) has launched two complementary products, the Jobezer and Jobelper safety platforms, to overcome the problems of discomfort caused by working on a ladder or stepladder over a long period.

Jobezer is primarily intended for use in the home, office, stores, etc. It weighs 11 lbs and opens and closes in a single movement to provide an anti-slip working platform 24 in x 14 in at a height of 24 in. The hand rail carries a tool tray.

Jobelper is aimed at tradesmen and industry. Made from aluminium treadplate, it has an anti-skid surface and measures 24 in x 17 in with a working height of 21 in. Other models provide working heights of 31, 50 and 69 in.

More from Hilton (Products) on 0204 494429.

Connects buyer to seller

A SELECTION service, linking both buyers and sellers worldwide for over 250 categories of construction equipment, has been introduced by Computafile, a UK-based computer data organisation. Already nearly 2,000 separate items of construction equipment divided into the 250 defined categories of plant have been registered from operators internationally.

The system will enable buyers and sellers of both new and secondhand contractors plant, to see at a glance what is available throughout the world and at what price. Clients can have a direct link to the computer through standard international telex or remote printer vdu.

Computafile offers a two-stage enquiry service. The first produces a list of plant available, from a defined index of about 250 categories, for comparisons of models and prices. A second stage provides detailed information on any piece of plant giving the name and address of the seller. More on 01-568 6462.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Barnsley (0226 203232)	14¾	½-year	1,000	3
Knowsley (051-548 6555)	14½	½-year	1,000	4-8

Public Works Loan Board rates

Effective February 6

Years	Quota loans repaid by EIP†	Quota loans repaid at‡	Quota loans at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid at‡	Non-quota loans A* at maturity§
Up to 5	15¾	15¾	16	16¼	16¼	16½
Over 5, up to 6	15¾	15¾	16	16¼	16¼	16½
Over 6, up to 7	15¾	15¾	16	16¼	16¼	16½
Over 7, up to 8	15¾	16	15¾	16¼	16½	16¼
Over 8, up to 9	15¾	16	15¾	16¼	16½	16¼
Over 9, up to 10	16	16	15¾	16½	16½	16¼
Over 10, up to 15	15¾	15¾	16	16¼	16¼	16½
Over 15, up to 25	15¾	15¾	16	16¼	16¼	16½
Over 25	15¾	15¾	15¾	16	16	16

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

£000's capitalisation	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
1,304	ABI Hldgs. 10pc CULS	121	–2	10.0	8.3	—	—
4,052	Airsprung	70	—	4.7	6.7	11.1	15.4
1,100	Armitage & Rhodes	44	–1	4.3	9.8	3.7	8.3
12,464	Bardon Hill	204	—	9.7	4.8	9.9	12.1
5,958	Deborah Services	77	–4	6.0	7.8	3.8	7.2
4,111	Frank Horsell	129	–1	6.4	5.0	11.6	23.9
11,268	Frederick Parker	78	—	1.7	2.2	33.9	—
923	George Blair	50	—	—	—	—	—
3,898	IPC	98	+½	7.3	7.6	6.9	10.4
2,520	Isis Conv. Pref.	105	–1	15.7	15.0	—	—
2,378	Jackson Group	94	–1	7.0	7.4	3.0	6.7
15,458	James Burrough	112	–1	8.7	7.8	8.2	10.3
2,570	Robert Jenkins	252	—	31.3	12.4	3.5	8.9
2,760	Scruttons "A"	56	—	5.3	9.5	8.6	8.0
4,003	Torday & Carlisle	164	–2	10.7	6.5	5.3	9.8
2,778	Twinlock Ord.	13	–0½	—	—	—	—
2,075	Twinlock 15pc ULS	76	—	15.0	19.7	—	—
4,120	Unilock Holdings	27	—	3.0	11.1	4.8	8.2
9,608	Walter Alexander	75	—	6.4	8.5	4.9	8.7
6,111	W. S. Yeates	219	+1	13.1	6.0	4.1	8.4

Prices now available on Prestel page 48146.

TECHNOLOGY

EDITED BY ALAN CANE

Why BOC is set for growth in graphite

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

NIGERIA has just opened its first steelworks and, like many of those being erected in developing countries, it uses the electric arc furnace method of making steel.

In the Middle East, South America, Mexico, and the Far East, the relative simplicity and flexibility of this method over the basic oxygen process ensures its popularity.

These developments are behind the recently-announced decision of the BOC Group to expand its production facilities for the manufacture of carbon graphite electrodes which produce the arc that melts the steel in the furnaces. The group's U.S. subsidiary, Airco, already has two carbon graphite electrode plants that are used mainly to satisfy U.S. demand.

The $126m plant to be built at Ridgeville, South Carolina, will increase Airco's electrode production by a fifth when it is completed by October 1983. Its output is destined for markets outside the U.S.

The plant has been designed with the capability of progressive expansion to add 50 per cent to present capacity by the end of the decade.

Airco also announced last month that it is investing $119m in a plant to produce needle coke, the base material for carbon graphite, which is to be built near Houston, Texas. Each investment represents the single largest spending commitment undertaken by the group.

Worldwide demand for electrodes is expected to rise to 1.2m tonnes by 1985, against 920,000 tonnes in 1980. Alongside this growth in demand, customers are intent on reducing the high price of electrodes, currently about £6 per tonne of steel produced. This means that the manufacturers must make progress on technical, quality and efficiency fronts.

Growing competition in electrodes can be measured by the fact that in the past couple of years, Union Carbide, the market leader, and Great Lakes Carbon have both brought new capacity on stream, and there is considerable overcapacity worldwide.

The three major Japanese manufacturers are reported to be working at only about 50 per cent of capacity.

At the same time, more efficient electrodes mean that the consumption of electrodes per tonne of steel will go down. This is already happening in the U.S., for instance, in spite of the fact that the amount of steel being made by the electric arc furnace method is on the increase.

In the UK, graphite consumption is also declining because of the use of partially renewable types of electrode, which have a water-cooled copper base and renewable graphite tips.

Airco, however, is undeterred and remains convinced that the underlying growth in electrically-made steel will ensure that there will be markets for the product by the time the new plant is completed.

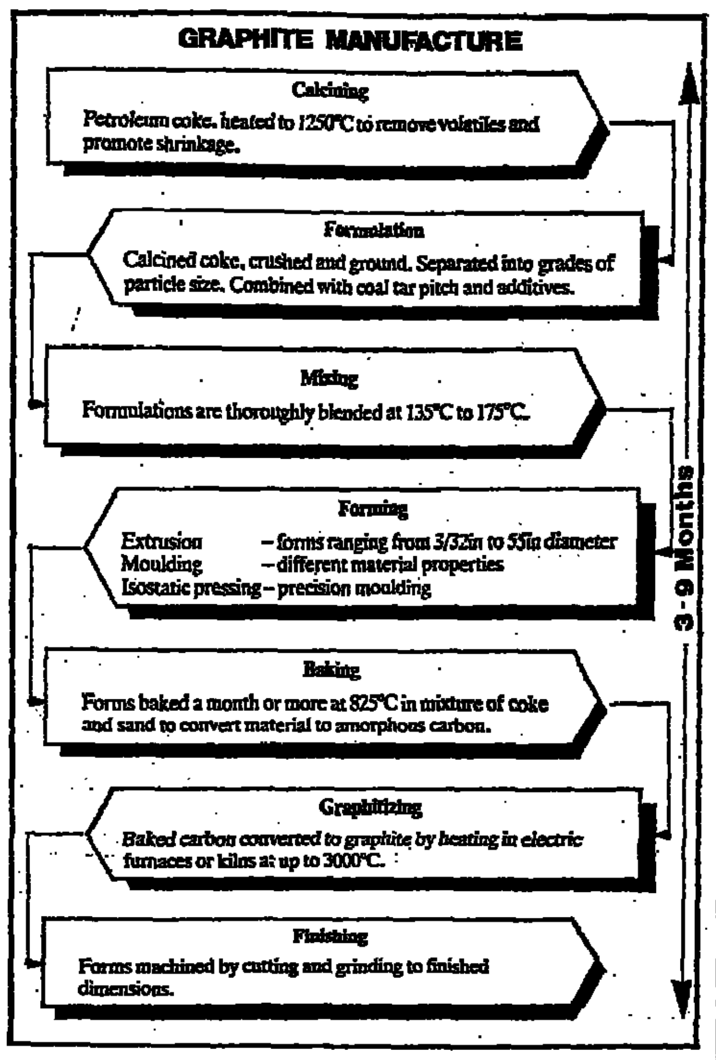
The decision to have its own needle coke plant rather than buying in as Airco does now was determined by the desire to have greater control over the quality.

Initially, it was hoped to locate the plant alongside that producing carbon graphite, but this plan was abandoned because of transport and energy cost considerations. Instead, the plant was located close to Houston, where the refineries providing the raw material are housed, and where Airco has ready access to the coast for the transport of needle coke by sea to South Carolina.

Energy costs are a prime factor in the manufacture of carbon graphite. The two processes where energy consumption is at its greatest are baking, where the forms which have been extrusion moulded or pressed are baked for a month or more at very higher temperatures in a mixture of coke and sand to convert the material to amorphous carbon; and the actual graphitising process where the baked carbon is converted to graphite by heating in electric furnaces or kilns at temperatures up to 3,000 deg C.

The high cost of electricity in the UK finally ruled out Airco's consideration of putting the electrodes plant at Consett (the transport of petroleum coke would not, apparently, have been too much of a problem as much of that now consumed in the U.S. comes all the way from Japan).

In South Carolina, electricity is cheap, while the advantages of building a new, highly automated plant on a greenfield site should yield productivity increases over Airco's other U.S. plants of 20-30 per cent.



Airco executives say that the quality of coke becomes more critical as the market is shifting from standard to premium grade electrodes, which reduce the consumption of electrodes per tonne of steel.

It is for this reason that Airco has decided to take the leap into a technology unknown to it of making needle coke, although it has already built a pilot plant at its Niagara Falls carbon graphite plant.

The price of electrodes is a major cost to the steel producer, probably between 8-10 per cent of the total costs—it takes 10-11lbs of graphite to melt one tonne of steel, and a rough estimate is that big American companies like North West Steel, Bethlehem, and Jones and Laughran, spend about $25m each annually on electrodes.

Mr James Baldwin, Airco senior vice president, admits that there are problems but is sure that these will be overcome within a fairly short space of time.

BOC's decision to invest heavily in carbon graphite in the U.S. has its critics amongst those who see the acquisition of Airco in 1978, and its subsequent expansion, as detracting from investment in the UK.

BOC's reply is that it must invest where it sees the best opportunities, and the electric arc furnace is likely to be around for a long time yet.

At the same time, the energy factor is critical in the efficient production of electrodes so the location of the plant had to be where it could be assured of a plentiful supply of cheap electricity.

Tube bending with memory by Addison

POWERBEND PB 63M, a fully automatic tube bending machine, is British designed and manufactured by the Pressbend Division of The Addison Tool Company. It has a 63mm outside diameter by 2mm capacity for steel tube capable of bends up to 200mm CLR.

The non-volatile memory has a capacity of 4,000 optional bends with individual programmes up to any number.

Among the features are direct keyboard entry and display of all data, three call-up speeds for each axis, facilities for editing, axis jogging and a manual set-up mode, rapid access memory and a system of programme inter-locking, machine interference blockers and self-diagnostic display.

From the same company comes the Addison PSM 500 CPL, the culmination, says the company, of an intensive development programme to provide a high output, fully automatic circular saw able to maintain very close-cut tolerances.

Demand, the company believes, should come from the automotive industry for such applications as sawing tubular spacers, and for cutting hot brass stampings.

The saw has a new system for controlling the stroke of the material feed. The machine has eliminated dead stops with the stroke of the carriage determined by an hydraulic servo-valve. Position of the carriage at the end of the stroke can be repeated to within plus or minus 0.01mm.

Also new from Addison is the double clamp metal cutting circular saw, which is said to be ideal for straight and mitre cuts of ferrous and non-ferrous tubes and bars and sections.

Designated the Addison-MEC Brown, the tool has several new features—with double clamping the anti-burr device can eliminate "break-off/pips."

Addison is at Westfields Road, Acton, London (01-993 16161).

IBM changes software conditions

IBM UNITED KINGDOM has changed the rules dealing with its licensed program and customer engineering support programme.

With an eye to the growth of distributed systems and the number of its customers who will want to run identical software at a number of different sites, the company is now offering about 25 per cent off the license fee for the second and subsequent copies of its licensed programs.

IBM will deliver one copy of the programme—the customer will be responsible for copying it and distributing it to its various sites.

IBM will give full details on 0705 694941.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Spring Fair—Gifts (01-855 9201) (until Feb 11)	NEC, Birmingham
Feb 9-12	Information, Technology and Management Exhibition and Conference—INFO '82 (01-647 1001)	Barbican Exhibition Centre
Feb 10-12	Western Building Show (01-643 8040)	Exhibition Centre, Bristol
Feb 10-12	Ceramic Tile Exhibition and Conference—TILEX (01-450 0466)	Wembley Conference Centre
Feb 12-14	Crufts Dog Show (01-493 7838)	Earls Court
Feb 14-17	International Men's and Boy's Wear Exhibition (021 705 6707)	Olympia
Feb 16-20	Ideal Home Exhibition (0202 28475)	Assembly Rooms, Worthing
Feb 17-19	The International Swimming Pool and Leisure Show (04912 77866)	Wembley Conference Centre
Feb 21-23	Video Software Show (01-686 2500)	Heathrow Hotel
Feb 21-25	Scottish Gifts Fair (01-855 9201)	Kelvin Hall, Glasgow
Feb 24-25	Oil, Gas, Petroleum and Process Plant Exhibition (01-637 8841)	Bloomsbury Centre, London
Feb 28-Mar 4	International Light Show (0248 88396)	Olympia
Mar 1-4	Hydraulics and Pneumatics Exhibition (01-839 5041)	NEC, Birmingham
Mar 2-6	International Production Engineering and Productivity Exhibition and Conference (01-747 3131)	Olympia
Mar 4-7	National Glazing Exhibition (01-686 2599)	Cunard International
Mar 7-9	Footwear and accessories show (01-738 2071)	Exhibition Centre, Harrogate
Mar 9-13	The Business Enterprise Show (01-636 3716)	NEC, Birmingham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Boat Show (01-486 1951) (until Feb 14)	Helsinki
Feb 9-18	Equipment and apparatus for drug production and testing exhibition (01-235 2423)	Moscow
Feb 10-13	International Trade Fair for Household Appliances, Fittings and components—DOMOTECHNICA (01-409 0956)	Cologne
Feb 13-16	International Trade Fair for Watches, Jewellery and Silverware—INHORGENTA (01-486 1951)	Munich
Feb 15-18	Middle East Machine Maintenance, Light Engineering and Handling Show—MEM (01-486 1951)	Bahrain
Feb 23-26	TECHEX '82—Annual Technology Exchange Fair (01-584 5749)	Lyons
Feb 23-27	International Rubber and Plastics Exhibition for Asia (01-839 5041)	Singapore
Feb 25-28	Scandinavian Menswear Fair and Fashion Week (01-540 1101)	Copenhagen
Feb 27-Mar 3	International Fair (01-734 0543)	Frankfurt
Mar 2-6	Construction Indonesia '82 (01-486 1951)	Jakarta
Mar 5-8	Winter Sports Fashion Exhibition (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Feb 8	American Tax Institute in Europe: Finance/Leasing under new U.S. tax laws (Paris 256 33 70)	Waldorf Hotel, WC2
Feb 9-12	INFO '82—The challenge of Information Technology (057282 2711)	Barbican Centre
Feb 9-10	FT Conference: The Euromarkets in 1982 (01-621 1355)	Inter-Continental Hotel, W1
Feb 9-12	Offshore South East Asia Conference (01-546 5144)	Singapore
Feb 10-11	Spearhead Exhibition: UK Offshore Safety Conference (01-549 5831)	Eastbourne
Feb 11	American Tax Institute in Europe: Foreign investment in U.S. real property (Paris 256 3370)	Amsterdam
Feb 15-17	AMR International: Management Skills and Techniques for Women in Business (01-262 2732)	Kensington Hilton Hotel
Feb 16-17	Crown Eagle Communications: Gaining Value from Overhead Costs (01-636 0617)	Hilton Hotel, W1
Feb 17	Mills and Allen Communications: CBT Techniques and Uses—An Appreciation (01-240 1307)	London
Feb 18-19	International Chamber of Commerce: The international effects of nationalisations (Paris 261.85.97)	Paris
Feb 25-26	The Economist: The World Market: protectionism or co-operation and expansion? (01-839 7000)	Hyde Park Hotel, W1
Feb 25	The Banker/OPC/LCCI: Growing Pains—Resolving the problems facing international Banks of establishing and developing a physical presence in the City of London (01-629 2483)	Cannon Street, EC4
Feb 25	Dun and Bradstreet: Fundamentals of credit management—for credit personnel and those concerned with trade debtors (01-247 4377)	Albany Hotel, Birmingham
Mar 1-2	FT Conference: The Fourth World Motor Conference (01-621 1355)	Geneva
Mar 3	DIBC (UK): The credit analysis of international banks (01-788 5126)	City Conference Centre, EC3
Mar 4-5	International Commercial Arbitration Symposium (08 2312000)	Stockholm
Mar 8-9	AMR/Euromoney: Aerospace International Shipping Financing Energy Techniques (01-262 2732)	London Press Centre
Mar 10-12	Esomar: Profitable co-operation of manufacturers and retailers (020 444995)	Munich
Mar 15-18	IPM: The Elements of Salary Administration (01-946 9100)	Embassy Hotel, W2
Mar 17	Institute of Credit Management: National Conference (0990 23711)	Hilton Hotel, W1
Mar 18	Institute of Marketing: Action for Recovery Conference (01-680 7525)	Hilton Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Testing facility for giant valves

WHAT IS thought to be the biggest continuous operation calibration and test facility for the giant valves and flowmeters used in the water and oil industries is nearing completion at Stonehouse in Gloucestershire.

It has been constructed by Brown Boveri Kent and is part of a new flowmeter manufacturing facility on which the company will have spent nearly £3m by the middle of this year.

For the BBK company involved, Kent Industrial Measurements, the new test facility will mean much faster throughput for its products. Previously, it had to rely on the facility at the National Engineering Laboratory in East Kilbride for the calibration of its larger products, which can be up to 6 ft 6ins in diameter.

Although the company will eventually use most of the facility's capacity for tests on its own products, it is also offering time to water, sewage, oil and other industries with similar testing problems. Costs would be by negotiation.

The test requirement is simple enough—to be able to pass large, accurately measurable quantities of fluid through the valve or meter. Large scale facilities for this already exist, at East Kilbride, in Germany and elsewhere, but according to BBK they are all gravimetric: the water simply drops out of a header tank through the tested unit and into a sump, restricting the time of testing.

The Stonehouse facility can operate continuously. At its heart is a 200,000 gallon sump, specially engineered to avoid aeration of the water (which would cause calibration inaccuracy). An underfloor pump room houses four pumps operating in parallel with a total rating of 1,380 horsepower—well over a megawatt, so that, flat out the installation is somewhat expensive to run.

Inside the test room, three test lines are available with nominal bores of 42, 36 and 16 inches. Motorised block valves enable the flow to be directed into any one of the test lines and concentric cone pieces allow flowmeters and valves from 12 to 78 inches to be inserted in the lines for testing.

At the moment the calibration reference is a range of orifice plates certified by the National Engineering Laboratory. This is the first stage of a two stage programme.

The second stage, to be completed later this year, will transfer the standard to a bank of four Kent turbine meters, a bi-directional meter prover and an additional control panel for the associated instrumentation.

The meter prover will be used to carry out routine calibration of the turbine meters, allowing very precise measurement of the flow to the test station and enabling accuracies of plus or minus 0.2 per cent to be achieved

GEOFFREY CHARLISH

Plessey's interface processor

A NETWORK interface processor for use with X25 packet switching systems has been announced by Plessey Controls.

The TP3010 can interface up to 27 terminals to the X25 network and accepts IBM 3270 and 2780/3780 protocols. Transmission speeds for data range from 110 to 9600 bits per second.

The processor is part of Plessey's range of packet switching equipment which include the TP4000 packet switching node.

THE ARTS

Elizabeth Hall

Schütz Choir of London

by DAVID MURRAY

On Saturday Roger Norrington and his Schütz Choir celebrated 20 years of music-making by repeating their first programme from 1962 — three marvellous works of their titular master, Heinrich Schütz. Mr Norrington's original singers were amateur, unlike the polished performers in this concert (a dozen voices supported by the London Baroque Players: strings, small organ, sackbuts and a handsome chitarrone), and the chosen music made less play with multi-directional effects than the mid-1960s programmes which excited the greatest attention. Nothing disappointing about that: there are sober revelations in all the music, and anyway the *Musikalische Exequien* concludes with a magical double-ensemble coup.

There, in the last section of that princely requiem, while the chorus intones the Nunc Dimittis with devout resignation, three far-off soloists — the departed soul and two convoying angels with chitarrone — sing radiantly of the peace of death. There was some homely suspense first, while the angelic voices in their elevated niche in the wall tried to find light to read their music by; but no illusion was spoiled — Schütz's effects are not theatrical tricks. In the rest of the concert there were many passages of equal beauty: all the double-choir interplay in Schütz's last *Deutsches Magnificat*, for example, and the poignant opening chorus of the *Seven Last Words*. In the latter work Christ's words were assigned to a fresh, innocent-sounding male voice — impersonation was presumably not the point.

Over the years, very little in the way of mannerisms has crept into Norrington's faithful work. There was a hint of preciousness in some half-staccato articulation in the *Magnificat* and the *Exequien*, perhaps just the result of a technique adapted to more resonant halls. The most heartfelt passages of the *Sieben Worte* were greatly drawn out; one might doubt whether such slow tempi are natural to the period, but the issue cannot be proved. In all serious respects, the work of the Schütz Choir is nobly convincing.

Nottingham Playhouse

Our Betters

by B. A. YOUNG

What Somerset Maugham wrote as a comedy in 1923, Richard Digby Day has had to produce as a farce in 1982. The story depends on some routine romantic encounters, strongly salted with satire at the expense of the American hostesses who had taken over London society, and the play ought to survive on its dialogue, thought very witty in its time. But the wit no longer strikes on the box, the box having degenerated with the change of manners. The company does all it can, but it got little reaction from the audience; and wit without appreciation is like a gramophone record without a gramophone.

Lady Grayston and the Duchesse de Surennes, the two central hostesses, are played by Barbara Jefford and Phyllis Calvert as if they believed in them — no mean feat, considering how broadly Maugham drew their avarice, their snobbery and their lechery. Trevor Pitt has given them grotesque costumes, guying the styles of the time, and designed sets for Lady Grayston's homes that look as uncomfortable as they are ugly, and would surely have driven Syrie Maugham into hysterics.

What these ladies do in these surroundings is ugly and uncomfortable too, and it is not surprising that Maugham has given them so few decent friends. The Principessa (quite and dignified in Muriel Barker's performance) seems to have acquired some of the instinct of civilisation, even if she did marry an Italian prince for his title. Lady Grayston's younger sister Bessie is only half way decent; she gets half way to a love nest peeress with pleasant, naive Lord Bleane, to whom Philip Bowen, his hair smoothly slicked down with what must have been Anzora, gives the most convincing period image of the evening. Then she pulls out after seeing her sister in action. The part is well cast. Susan Edmonstone is a big girl who can present charm with a threat behind it—too big, perhaps, for Bill Buffery's young Fleming Harvey, the only truly decent American in the play, with whom she seems likely to mate.

Apart from Lord Bleane, there are no decent English either. Tony Paxton (Julian Jones) is the Duchesse's sexual toy, who throws the house into turmoil when he is found in the summer house being played with by Lady Grayston. Neither Pole the Butler nor Ernest the mock-Argentine dance-teacher, both played in much the same mould by Jonathan Kiley, do much for the nation. But at least they rate higher than Arthur Fenwick (Richard Mayes), said to be based on Gordon Selfridge, and the super-snob Thornton Clay (Peter Laird), appearing for our American cousins.

Goethe's 150 years

The Goethe Institute of London is planning a major exhibition to mark the 150th anniversary of the death of Goethe. It will open on March 22, the actual date of the anniversary. The catalogue will be distributed by John Calder (Publishers).

Calder will also publish during the year *Essays on Goethe* edited by Mary Wilkinson, and the concluding two volumes of W. H. Waldson's translation of *Wilhelm Meister*. The first complete paperback edition of the novel will also be published in English translation in 1982 in six volumes.

OM on tour

The Swiss jazz/rock group OM are making a ten-date tour of Britain during February which has been made possible by a substantial grant from Pro Helvetia, the Swiss cultural organisation.

The tour starts at the 100 Club in London on Monday, February 15.

Photomontage of the proposed new Mansion House Square with the tower of offices by Mies van der Rohe

Architecture

No longer with us

by COLIN AMERY

Inevitably there is a certain sense of familiarity about Mr Peter Palumbo's proposals for Mansion House Square. Back in 1969 the City Corporation gave a provisional planning permission for the scheme, providing the developer could acquire enough of the freehold to ensure comprehensive redevelopment. Earlier this year Mr Palumbo announced that he now owns 12 of the 13 freeholds and 345 of the 348 leaseholds. His application to proceed with the development is now with the City authorities and two weeks ago the Planning Committee met under its chairman, Sir John Welch, to review the position.

First of all it is probably necessary to refresh some memories. The bare bones of the proposal are an office tower, 290 feet six inches high designed by the late Mies van der Rohe, and a large new open square with a shopping concourse underneath. The site for all this is the very heart of the City of London, between the west side of the Mansion House and the convergence of Cheapside and Queen Victoria Street.

The site is often known as the "Mappin and Webb" after the familiar and affectionately regarded building by J. and J. Belcher of 1870 with the jewellery shop on its ground floor. This building is in the Gothic taste with a circular Flemish tower on the corner which salutes the domed Liverpool and London and Globe Assurance building situated across one of the busiest intersections in the City. Also on the site for the new development is that strange and fascinating building in Poultry by the architect F. Chancellor built in 1875 with charming relief friezes.

Chancellor's building is at 12-13 Poultry. The Mappin and Webb building has all the right qualities for the City. Its particular the way its whole shape acknowledges the street pattern. Like the prow of a ship it and the other buildings around point to the teeming and enlivening scene in front of the Bank of England and the Royal Exchange. Altogether there are eight listed buildings of the late Victorian City that will be lost for the creation of the new square and the tower —which occupies only 22 per cent of the site.

Mr Palumbo is a man with a mission. He is the kind of developer who commands respect because he has a clear vision and a concern for quality. He also has a great deal of patience. It has taken him 23 years to get to this stage. He first went to see the architect Mies van der Rohe in Chicago in the late 1950s, asked him for a scheme for this site and at the same time bought Mies's Farnsworth House, a 1950 glass house in Illinois—as a token of his commitment to the architecture.

Like many men with a mission, Mr Palumbo has become obsessed. No one doubts that Mies was a master of the modern movement in architecture. As director of the Bauhaus in 1930 he refined many of the principles of what has become known as modernism. In 1933 he closed the Bauhaus because of the rise of the Nazis and later in the 30s he set up a practice in America.

His buildings everywhere are distinguished by their clarity, simple use of steel, bronze and glass and their limited visual vocabulary. They are minimal buildings that are superbly detailed and well adapted to the mass production process. His rectangular towers have spawned a legion of glass boxes all over the world. I think it is unlikely today that anyone but a fanatical admirer of Mies would want to build one of his buildings. He died in 1969 and Mr Palumbo has kept faith with the dead by his determination to build the master's design.

Advocates of the scheme say the tower block and the square are inseparable. The tower makes no sense without the square and the proportions of both are subtly interdependent. The progenitor of the square is another dead architect, the late Lord Holford. He had a reputation as a town planner and a civilised man. His proposals for the precincts of St Paul's after the war are the City's chief memorial of his genius. At St Paul's he was totally unable to exercise any control over the architecture and his Paternoster Square is one of the draughtiest and least enjoyable spaces in the City.

His design for the Mansion House Square, like his many efforts for Piccadilly Circus, fails to deal effectively with the traffic. The traffic will continue to flow in front of the new tower separating it from the piazza, and pedestrians will have to reach the square from Cheapside by an underground passage.

I do not see how a square drawn on a plan can possibly make any visual sense if the buildings on three sides of it will all look as though they have suddenly had their trousers whipped off. The City needs a succession of *small scale* spaces.

As architectural correspondent I feel I am expected to say welcome to the chance to build a work by a late, great modern architect. But as Mr Palumbo himself says in his publicity hand-outs: "The two great (sic) architects, Lord Holford and Mies van der Rohe are no longer with us . . ." and this scheme is no longer with us. No longer do we want the City to look like Chicago.

No longer do we believe in Mies's maxims or in the imposition of grids of convenience on our activities. This scheme is already dead and should be quietly put away in the Museum of London.

There are splendid Mies buildings to be seen in the States and in Toronto—his message has been delivered and is there for all to read. In London Mr Palumbo should be more sensitive to the English genius of the city. He owns a large chunk of real estate and he cares about architecture. What a wonderful chance for the City to show that, while it may have missed out on the architects of the Modern Movement, it will not miss out on the architects of 1982.

I will happily introduce Mr Palumbo to Jim Stirling or Normon Foster or many other architect of real genius who would respect the spirit of London. Architecture has advanced and there seems no point at all in building a cenotaph to the Modern Movement at this date. Architecture is not like buying paintings to hang on the wall—it is in the public realm and on a site like this one in the City cannot be a retrospective indulgence.

Drury Lane

An Evening's Intercourse

by MICHAEL COVENEY

Dame Edna Everage returned to the West End last week and presided over not so much a show as an orgy of selective audience participation. The supporting cast, plucked from the front stalls, included Judith who lives by the river, Beverley from Toronto, Ruth from Kensington (with a senior citizen called Ian whom she passed off as her father), Gill from Epping and Lin from Hampstead.

The housewife megastar now reads people's fortunes in their shoes. A huge net was produced and footwear duly collected. Judith's right boot was hoisted aloft: "This isn't a shoe, darling, it's a cry for help!" Paupers in the gods and couples in the bidet boxes then saw semi-shod ladies take the stage and assist old Ian prepare a barbecue of steaks and sausages, salad, bread and Australian margarine. As our hostess observed, it was a bit like an improvised Alan Ayckbourn play. It was certainly different. The evening climaxed with the ritual gladioli and the firing of four metallic cannons that bore down on the audiitorium, a neat transformation of a scenic representation of the Dame's Christian name.

In my experience, only Ken Dodd can manipulate an audience so successfully over such a long period. Dame Edna's inimitable brand of casual aggression and thematic texture ("like getting a crossed line with life") is a modern marvel of a stand-up, laid-back comic routine. The performance is water-tight and, as we saw recently on the Parkinson Show, irreducible to the small screen. Every lurch, grimace and lip-sticked leer tells you as much about the character as about her perception of the customers. A sort of nervous, masochistic glee is engendered by this tottering, blue-rinsed relic of Antipodean pseudo-gentility, with her ridiculous flair for access to high places and her finger on the common pulse.

And, of course, we are kept up to date with poor Norm, who has now undergone the prostate by-pass operation; with little Kenny and his friend; with Joylene who has moved from Ruislip to a hi-tech living space; and with Madge Allsop, trusty friend and subject of a new TV spectacular, "Bridesmaid Revisited."

The first act, or "Foreplay," features two familiar Barry Humphries characters, the Australian cultural attaché, Sir Les Patterson, and the grass widower, Sandy Stone, still ruminating on his suburban lifestyle from beyond the grave. The new creation is Phil Philby, a long-haired, barefoot film maker seen accepting an award for his searing investigation of lesbianism in an Aboriginal women's prison. The whole show, running for nearly three and a half hours, is an astonishing tour de force, a savage exhibition of character acting and sheer unadulterated nerve that can only be the work of an unbridled egotist at the height of his powers.

Covent Garden

La Bohème by DAVID MURRAY

The reliable pleasure of this familiar production is Julia Trevelyan Oman's work as designer: one hopes her sets will televise well on February 20 (BBC-2, on videofilm). In John Copley's production details come and go: besides the nude model for Marcello to paint in Act 4, there is now a fluffy little dog for Musetta to carry into the Café Momus, later to be dropped on Alcindoro along with the bill. The Café scene is still picturesquely busy and effective, but the Bohemian larkings about in the first and last acts look too deliberate, this time round, to be amusing.

The veteran Lamberto Gardelli conducts. If the moments of orchestral scene-painting were indifferently handled, Gardelli held the dramatic line as firmly as could be wished — too firmly, here and there, to flatter his singers. Neil Shicoff's trim little Rodolfo, energetically and stylishly sung, was best heard when lightly accompanied. His account of the role would be richer for the occasional floated phrase: we got unremitting intensity instead, which is not really needed. Thomas Allen repeated his first-class Marcello, virile with a nice air of self-mockery in domestic squabbles.

The new Musetta is Marilyn Zschau, all practised glamour in her first two acts — a touch of the Sophia Lorens — without quite the seductive tones for the waltz-song, but suddenly twice as interesting in the final act, where her sympathetic anxiety was serious and moving. Ileana Cotrubas is of course swimmingly fey as Mimì, big pleading eyes and long frail fingers substituting for anything much like interplay with the other characters. The voice is warm and not frail at all: odd, though, that a creature utterly at the mercy of other people should seem constantly bemused by some private, pathetic rapture. The solid Colline is again Gwynne Howell; as Schaunard, Philip Gelling sounded dry of voice but cut a respectably vivid figure. It all works well enough, but nobody should expect any little stabs of truth to penetrate through the tasteful trappings.

Festival Hall

Philharmonia/Ashkenazy

by ANDREW CLEMENTS

The credibility gap that separates Vladimir Ashkenazy the conductor from Ashkenazy the pianist grows imperceptibly narrower. No one now would doubt his effectiveness as an orchestral director in those parts of the repertory for which he feels a particular affinity — Sibelius, Chaikovsky, Rakhmaninov. But, to my ears at least, his provenance in the wider 19th-century orchestral fields has yet to be finally established. And as if to emphasise this uncertainty, Ashkenazy began his concert with the Philharmonia on Friday with Beethoven's Pastoral Symphony.

There was nothing remotely uncivilised or gauche in the performance. On the contrary, the orchestral playing was a model of fine grooming, moulded and burnished in a way that declared rehearsal time usefully spent. But this was a pastoral scene viewed at long range: an amble through the countryside that negotiated only the gentlest contours in the first movement, a brook which meandered rather than flowed, peasants whose smocks would have retained their pristine whiteness indefinitely. The storm was tamed, the orchestral sound tightly controlled; only the finale, unfolded naturally with some eloquent string playing, seemed part of an engaged performance rather than a packaged run through.

The second half of the programme, however, saw Ashkenazy on home ground. Rakhmaninov's *Symphonic Dances* were introduced by a rare scrap of Skryabin: *Reverie*, his first (1898) attempt at orchestral writing, which curls and swirls through some fetching woodwind, arabesques, reaches an atypically underestated climax and subsides. The *Dances* emerged stronger and more tightly structured than in any other performances I've heard. Ashkenazy treats them truly symphonically and the music responds with gratitude: even the razzmatazz of the outer sections of the finale (its references to the *Dies Irae* plainchant notwithstanding) was given a punch and an energy which made it into a true culmination. Thoughout, the Philharmonia was on magnificent form; special words for John Harle's delicious alto saxophone solo in the first movement and for Christopher Warren-Green's violin promptings that began the second.

Benefit for author's family

The company of *Good*, headed by Alan Howard, is to give a special benefit performance at the Aldwych Theatre on Sunday March 7 at 7 pm in memory of C. P. Taylor, who died suddenly last year, to raise money for his family.

The following actors, who have all appeared in plays by C. P. Taylor, are among the theatrical personalities who have agreed to sell special souvenir programmes: Harry Secombe, Felicity Kendal, Jane Asher, Tom Conti, Gemma Jones, Simon Callow, Patricia Routledge and Roy Marsden.

Tickets are available from the Aldwych Theatre box office.

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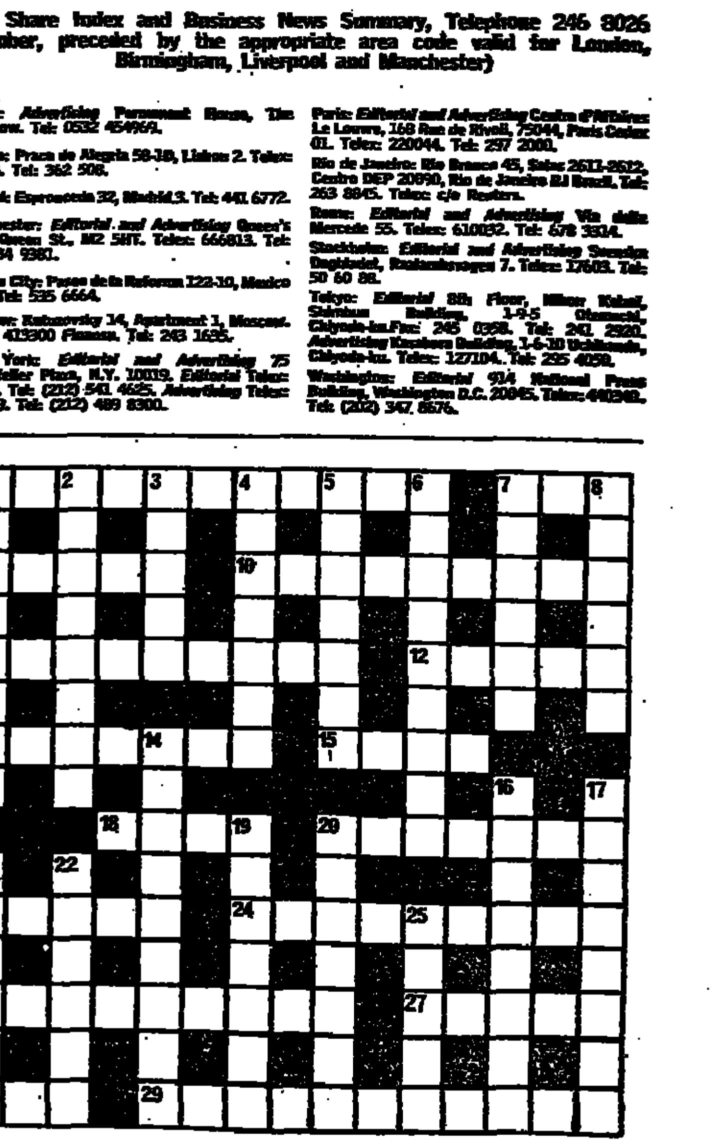
F.T. CROSSWORD PUZZLE No. 4,792

ACROSS

1 Form of those who are at cross-purposes (6, 5)
7 Mine appears at back-end (3)
9 Interruption of sentence with point tailing off (5)
10 Started to spray perfume (4, 5)
11 When a tennis player begins to be in prison (5, 4)
12 Siren adjusts hair-do (5)
13 Relative a Pole finds dirty (7)
15 Leave out leader (4)
18 Bit of brass returned to border (4)
20 Petty critic of Ring with leg broken (7)
23 Hearing affliction (5)
24 Tonic made with a sour tang (9)
26 I'm no good at reforming beggar (9)
27 End of the matter (5)
28 No sound of horse (3)
29 Leave picture with one break after another (7, 4)

DOWN

1 What could secure your shirt when you put it on horses (4, 4)
2 Fruit taking strain in Ireland (8)
3 Veto a concoction like an egg (5)
4 Bit of wine—a very tiny bit indeed (7)
5 Have sheriff's men go on board (7)
6 Soldiers draw up gin cocktail as well worth the effort (9)
7 Irishman in a superficial film (6)
8 Revolutionary painter (6)
14 First person upsetting ringer is hard at first to decorate (9)
16 Reference to lion Saul mauled about (8)
17 Fancy ram thought of (6, 2)
19 Follow Virginia in labour (7)
20 Another agent newsman denied (7)
21 Way to prayerful agreement in part of flower (6)
22 Pioneer animatedly producing a mouse (6)
25 Sentimental agent taking work in (5)



The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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A way forward in El Salvador

U.S. POLICY towards El Salvador and the rest of Central America is appearing increasingly questionable. Washington is understandably concerned about the stability of its own backyard and is fearful of a new Cuban-type imbroglio. But last week's decision to treble military aid to El Salvador and Mr Alexander Haig's refusal to rule out the use of U.S. forces in the area are disturbing.

At one time the junta which brought Sr Jose Napoleon Duarte to power in San Salvador in October 1979 seemed to offer a chance of tackling the inequalities dividing the country. It promised land reform and Sr Duarte appeared the ideal figure to spearhead this new reformist course. He had been a respected mayor of the capital. He might well have been the true victor of the 1972 elections invalidated by the military.

Junta

But within three months of the coup the pendulum had swung back. Leading moderates such as Colonel Adolfo Arnoldo Majano were forced out of the junta. Before long President Duarte, as he had become, was little more than a figurehead.

Today he is under virulent attack from right and left. Land reform has largely run into the sands. He has little control over events and virtually none over the security forces and their death squads involved in many of the 11,000 killings of the past year.

Mr Haig said last week that Sr Duarte was "committed to political reform, free elections and economic development." But the President seems no more able to deliver the first two of these than he has been able to ensure the third. In 1980 the country's GNP fell by an estimated 9 per cent. Last year the fall may have been twice this.

Another justification given by President Reagan for supporting Duarte's regime, is that it has made progress in human rights. Evidence from U.S. officials in San Salvador casts doubt on this claim.

Moreover, it is still not clear that the U.S. administration, in emphasising military solutions, is giving adequate recognition to the social and economic origins of unrest.

Any decision to increase military aid to its embattled allies in El Salvador should have been coupled with an insistence that these allies accept their opponents' offers of negotiations.

Areas amounting to as much as one-fifth of the country—but including a far larger share of the population—are under guerrilla control. No-one now expects an early end to the fighting. It is true that some help is being received from Cuba and Nicaragua, but the fact is that the guerrillas, however deplorable their methods, are home-grown, and represent to a considerable extent a reaction to decades of hardship and political malpractice.

The problems of El Salvador represent in large measure those of the Central American isthmus as a whole. All the countries in it have had to deal with years of rising oil bills, the shortage and soaring cost of foreign credits and low prices for their exports. Last year, most suffered falling average incomes and had to turn to the International Monetary Fund.

There is a constructive strand in the Reagan Administration's general policy towards the area. It has announced its intention of providing increased aid and trade concessions to the region, and is trying to involve Canada, Mexico and Venezuela in plans to stimulate foreign investment there.

Fears

But the implementation of this policy has been slow, while it would apparently exclude countries such as Nicaragua and Grenada. Far from trying to win over its potential opponents, the Reagan Administration has been allowing anti-Nicaraguan forces to train in the U.S., imposing a virtual economic boycott and leaving open the possibility of military action—all policies likely to ensure that its fears about Nicaragua's future alignment become self-fulfilling.

Washington has said that El Salvador represents "the decisive battle for Central America" and at present is putting its weight behind the elections for a constituent assembly due next month. But these elections are being boycotted by almost all centre-left and left parties. Under present conditions they will prove little. In these circumstances it is not clear what the European allies will be achieving by sending observers to the elections. Negotiations between the warring forces in El Salvador offer the only way forward.

Profits disclosure by the banks

FEW SUBJECTS raise bankers' passions more than the question of whether or not they should be allowed to maintain hidden reserves in their balance sheets and fudge their real profits.

It is often overlooked in North America and Britain, where the major banks reveal all, that the majority of banks elsewhere in the world still cling to the idea that it is in the public interest not to disclose their true profits. Nevertheless. there are signs that the climate of opinion is changing and even the Swiss banks, the most secretive of the lot, are being coaxed into disclosing more about their affairs.

Hidden

It is 20 years since the case for and against full disclosure by UK banks was last examined in detail, by the Jenkins committee, and the arguments it used then to support the retention of hidden reserves by banks have lost what little validity they might have had.

The UK clearing banks began disclosing their true profits voluntarily more than a decade ago. But despite this move and official encouragement for greater disclosure, more than 100 banks in the UK are still allowed to keep hidden reserves and the Department of Trade continues to add new names to the list, which underlines the urgent need for a review of official policy in this area. The whole issue is to be debated by the House of Lords today.

The need for a new look at the position of UK banks has been accentuated by the appearance of an EEC draft directive on the annual accounts of banks which in its present form would allow UK banks to maintain hidden reserves making their accounts of little value to users.

To its credit an influential House of Lords sub-committee, composed of several distinguished banking peers, has pulled the directive to pieces and come out strongly in favour of full disclosure by banks. But the real battle for full disclosure in this instance will not be fought in the UK but on the Continent, particularly in Germany, where the banks have long been wedded to the need for hidden reserves.

The German banks' case for maintaining hidden reserves, which is generally supported by other Continental banks as well as the UK accepting houses and discount houses, rests on their perception of the need to maintain confidence in the banking system.

By smoothing profits from year to year with the aid of hidden reserves a bank can disguise the size of its financial problems in any one year which, if known to depositors, might precipitate a run on the bank. Memories of the banking crisis of the 1930s, when many banks closed still play an important part in formulating official attitudes in this field.

This historical background appears to have instilled a greater nervousness amongst Continental depositors than is found among the public in the UK or the U.S. As a result Continental banks argue strongly in favour of the maintenance of hidden reserves.

The main disadvantage of non-disclosure, which has never been adequately disputed, is that shareholders and depositors cannot tell how well or badly a bank is doing. By allowing banks to hide their mistakes an important spur to management efficiency has been removed.

By not having the discipline of disclosing their true profits bankers may be encouraged to engage in imprudent conduct which would quickly come to light in normal circumstances. The recent record of some of the Swiss banks and one or two UK discount houses supports this argument.

Backward

In addition, there is not much use having hidden reserves if at the end of the day a bank runs into such financial difficulties that it needs to be rescued by the authorities. It is sometimes said that the Bank of England would never allow an accepting house to fail. If this is the case then there does not seem any need for hidden reserves.

There is no sign that the UK clearing banks have suffered as a result of disclosing their true profits; indeed they have become better understood by the international financial community. The EEC directive in its present form represents a backward step and should be rejected by member governments.

GERMAN STEEL MERGER PLANS

Limping to the altar

By James Buchan in Bonn

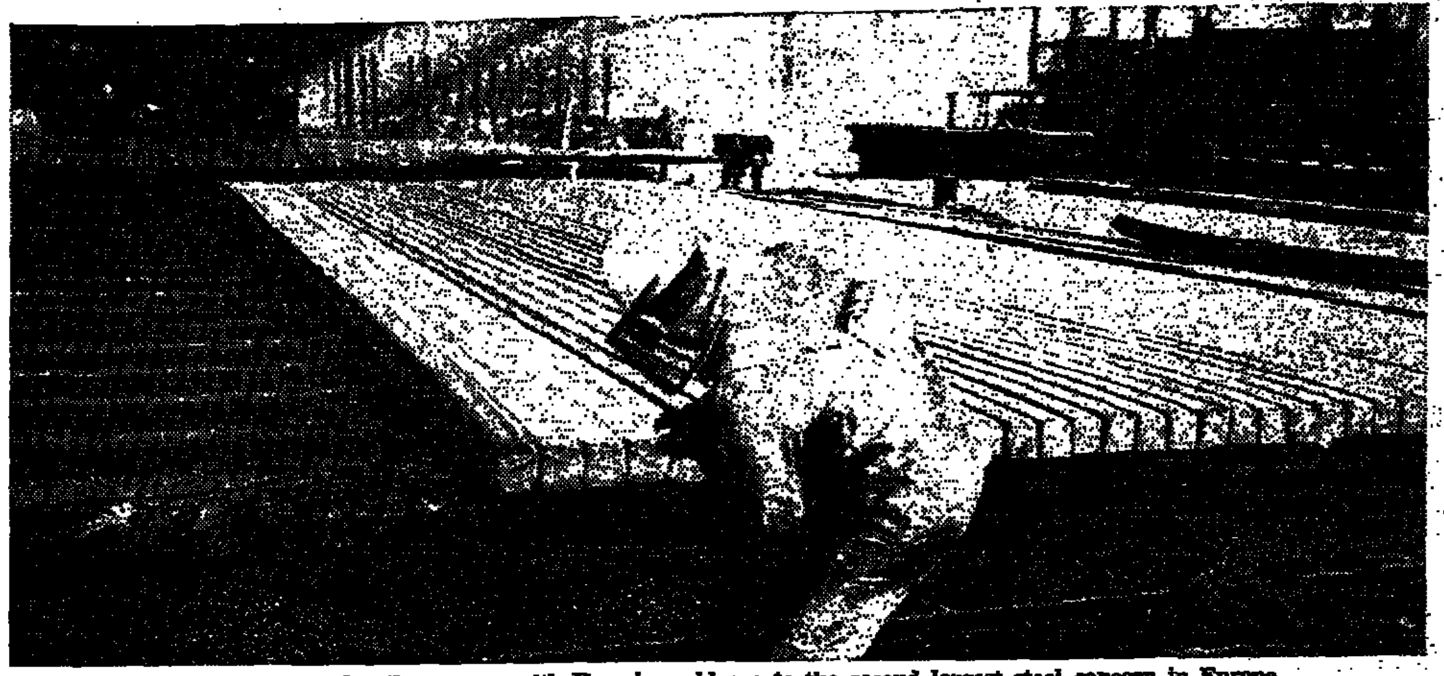
MARRIAGES are made in heaven, not in Dortmund, and the engagement announced last week between two of West Germany's largest steel concerns scarcely brought to mind a joyous, blushing match. One of the companies, Estel Hoesch, is still wedded to a partner in the Netherlands while the other, Krupp Stahl, shows every sign of being prodded to the altar by a despairing parent.

These are hardly good auguries for a partnership which will change the face of steel-making in the Ruhr and profoundly affect an industry that in Europe is now limping into its seventh difficult year.

If negotiations proceed along the lines laid down by the two supervisory boards last Thursday, the end of this year will see a new giant steel concern which, with crude steel capacity of around 11m tonnes, a workforce of 70,000, and sales of up to DM 12bn, could well be the second largest in Europe after Thyssen.

But before Ruhrstahl comes into being, a host of questions must be answered. All that is known for certain is that Krupp and Hoesch, respectively the third and second largest German steel concerns, will merge many, if not all, of their steel operations into Ruhrstahl. They will also make major investments for the modernisation of plant which will require massive assistance from Bonn and the regional government of North Rhine Westphalia, which covers the Ruhr. This last point is worrying other West German steelmakers, including Thyssen, and frightening the rest of the European industry.

The West German steel industry is widely regarded as the most efficient in Europe, working at some 61 per cent of capacity as against a European average of about 50 per cent.



The Krupp steelworks: the merger with Hoesch could create the second largest steel concern in Europe.

Considerable investment in continuous casting and other modern techniques, as well as a move into special steels, helped protect the industry while the domestic market, at just over 40m tonnes, remained fairly buoyant in the first years of the crisis.

The past two years have changed all that. The persistent recession has bitten deep into demand while West German producers claim they cannot compete with heavily subsidised steelmakers elsewhere in the EEC, who took 28 per cent of the West German market last year. Although Bonn has recently moved into the state aid business, the West German Iron and Steel Federation says that government help is insignificant in comparison with some DM 60bn in subsidies given out to sheet-makers in Belgium, France, Britain and Italy since the crisis began.

Even Thyssen, universally regarded as the soundest steel concern in the Ruhr, announced last week that it had lost some DM 400m on its steel operations in the year up to last September. Krupp was also badly hit and Dr Wilhelm Scheider, the chairman of Fried Krupp, the parent company, was dropping strong hints of wanting to be rid for good of the product that had made the name Krupp so famous.

Worst off was the Estel concern, the international venture set up in the palmy days of 1972 between Hoesch and Hoogovens of the Netherlands and designed to make use of the Dutch company's competitively priced crude steel and semi-finished products for processing in Dortmund.

As conditions have worsened, the Ruhr industry as well as the authorities in Bonn and Dusseldorf have rapidly lost their diffidence over subsidies.

And, inevitably, the industry started looking at mergers as the best defence against recession and Hoesch, which chalked up losses of DM 650m in the past two years alone, was an obvious candidate. The question now is whether Hoesch-Krupp can succeed where Hoesch-Hoogovens has proved such a costly failure.

Krupp and Hoesch say yes. First, Krupp Stahl has diversified well into special steels and its 5.5m tonnes a year of basic products, largely from a reasonably competitive plant at Rheinhausen, make a convenient source of supply for Hoesch's processing and manufacturing activities.

Secondly, Hoesch was being forced to shelve crucial modernisation plans. Last autumn, a crowd of Dortmunders demonstrated outside the factory gates when it became known that Hoesch was postponing an oxygen steel project which, with some DM 240m in official aid would eventually replace three old-fashioned open-hearth furnaces. According to the supervisory board announcement, this plant will now go ahead.

Third, and most important, both Bonn and Dusseldorf have made clear that financial help is contingent on a restructuring programme which will protect jobs in the Ruhr in the long term. The sums required are almost certainly very much higher than the DM 4.5bn quoted as required for investment up to 1987. But the companies already believe they can cut up to 10,000 jobs relatively painlessly and stabilise the workforce at around 70,000 while securing the host of dependent jobs in steel-related and service industries.

The uncertainty surrounding the Estel concern is unlikely to be a block to further progress over Ruhrstahl. Estel has already announced that the profit and loss sharing agreement between Hoesch and Hoogovens has been suspended. However, the negotiations over who is to foot the bill for losses already made, and particularly Hoesch's losses in 1980 and 1981, are expected to be bitter and prolonged. Surprisingly, Estel also announced that the involvement with Hoesch will continue even though the Krupp arrangement seems to remove all logic behind the transnational link.

The future for Ruhrstahl is clouded. Dr Diether Spethmann, Thyssen's chief executive, thinks that his group will be back in profit in the course of this year with the help of higher EEC steel prices. But the continued use of subsidies and uncertainty over new U.S. anti-dumping suits are unpleasant prospects for the German industry. Equally, the demands of the unions and the politicians have already ensured that Ruhrstahl's investment is more ambitious than first expected, with the new oxygen steel works alone slated to produce 3.5m tonnes a year.

Herr Ernst Pieper, chairman of the state-owned Salzgitter group, takes the gloomiest view. This may be partly because he, and the Bonn Finance Ministry, had hoped to see Salzgitter's troubled steel-making operations involved in the merger. Herr Pieper believes that West Germany can only afford two major steel companies, Thyssen and one other, instead of the present five majors and a host of minors. He also believes that some 15m tonnes of capacity will have to be eliminated before the corner is turned.

For Hoogovens, it may be a new beginning

By Charles Batchelor in Amsterdam

DESPITE THE large losses made by Hoesch in West Germany the Dutch would have preferred to solve their problems within the framework of the bi-national Estel group. But the insistence of the Bonn government on a national solution to the steel industry's difficulties seems set to bring about the end of the last of the European cross-border mergers.

The reorganisation will incorporate most of the ideas worked out by the Estel management over the past two years.

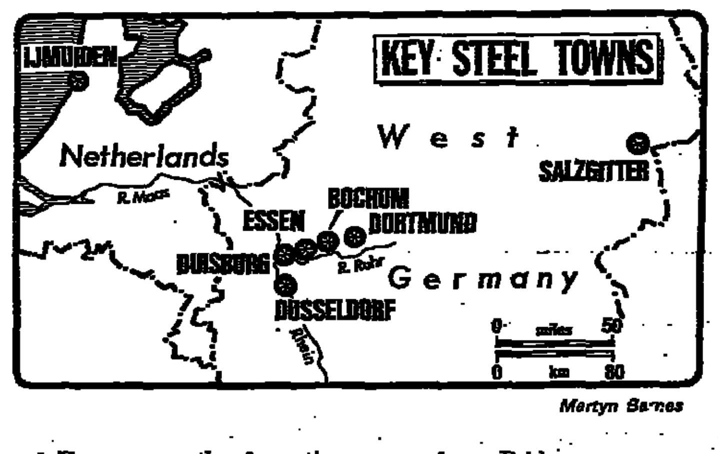
The Dutch hoped to the very last that enough of Hoesch's operations would be excluded from the merger with Krupp for Estel to continue in existence. But on Friday the managing and supervisory boards of Hoogoven, the Dutch partner, met and concluded their worst fears had been realised.

"It is clear that co-operation with Krupp will be so far reaching that it cannot be reconciled with the industrial concept behind Estel," Hoogovens announced.

While all the commercial criteria for the founding of Estel 10 years ago remain, political factors now dominate. Hoogovens' coastal site at Ijmuiden near Amsterdam is still favourably situated for the supply of coal and ore and for the onward shipment by canal of finished products.

Hoesch's plant at Dortmund at the centre of the Ruhr steel-using area continues to complement the Ijmuiden location. And in the 10 years of the merger the two partners have developed a matching range of products. But the Bonn Government's plans have now removed the rationale for Estel's gleaming steel-framed headquarters overlooking the Rhine in Nijmegen, symbolically halfway between the two steel plants.

Despite occasional strains, the Dutch-German management of Estel functioned fairly smoothly, the company says. Unravelling the ties between the partners may be less harmonious. Hoogovens will be little more than a bystander in the negotiations between Hoesch



and Krupp over the formation of the new Ruhrstahl group. But it is determined to salvage what it can from the de-merger talks.

Agreement on Ruhrstahl is likely within the next few weeks but dissolving Estel could take several months. An agreement between Krupp and Hoesch can only be finalised in consultation with Hoogovens about the consequences for the Dutch company. Hoogovens warned on Friday.

The Dutch are determined to limit as far as possible their responsibility for Hoesch's losses over the past two years. Estel's 1980-81 losses amounted to more than Fl 1bn ($390m), most of them incurred by the German partner. For much of the 1970s, when Hoogovens was profitable and Hoesch in the red, Estel met half of the losses. It is now hinting that it will not be so generous over the past two years.

Not only will Estel shed a large loss-maker in Hoesch, but it could also lose an important customer. Hoesch took 500,000 tonnes of steel and semi-finished products from Hoogovens last year, 10 per cent of total production. Krupp now seems set to supply most, if not all, of this. Hoesch has not yet ordered any steel from Hoogovens this year, despite a commitment to take at least 300,000 tonnes annually. Estel will press for the Germans to take at least some of the contracted amounts.

The prospect of losing a large part of its German market and the threat of anti-dumping measures by U.S. steel-makers are serious challenges to Hoogovens. The company already has 8,100 of its 20,000 workforce on short time. The losses of recent years have seriously weakened its financial position, the chairman, Mr Jan Hooglandt, warned last month.

Set against these difficulties, Hoogovens has a number of advantages. Its 7m tonne capacity plant at Ijmuiden has been constantly modernised over the past decade and can produce low-cost steel. Most of this programme has been financed by the company itself.

Hoogovens last week revealed a Fl 400m investment programme for 1982, considerably more than the average level of recent years. This is part of a programme announced early last year, long before the Estel concept was being questioned, to improve the efficiency of its rolled products, tube making, steel processing and trading activities. The company is concentrating efforts on higher value products, such as tin plate, vehicle springs, transport equipment components and mining, gas and oil exploration equipment.

These activities form only a small part of its current business and will take many years to develop. If Hoogovens can ride out the next few years—and the signs are that the Dutch Government will increase its support—it may look back on the failure of Estel as a new beginning.

Men & Matters

Dawn raider's parting day

As British Rail has found to its cost, one man does not tamper lightly with another man's working hours. But when Alan Hurst-Brown, senior partner of stockbrokers Rowe and Pitman, retires in April he will be remembered not least as the man who made breakfast-time at the Stock Exchange mean more than just coffee and the morning papers.

For it was Hurst-Brown, together with his successor as senior partner Peter Wilmot-Sitwell, who gave the "dawn raid" its heyday. Cazenove, too, had proved itself quick to get the hang of this new weapon in the City arsenal when it went after Serck on behalf of Rockwell on February 1 1980. But it was Rowe and Pitman which carried out the headline-grabbing sortie on Consolidated Gold Fields 11 days later, and by autumn had put another half-dozen strategic stakes under its clients' belts.

If RP's corporate image acquired the ruggedness of the SAS around that time, however, its senior partner might have been purpose-built to fill the highly-polished shoes of one of the City's leading stockbrokers with his tall frame, silver hair and patrician bearing.

"I think we got a name for them," he says of the dawn raids, "because we carried them out so efficiently."

The Council for the Securities Industry imposed its own restrictions on dawn raiders—but Hurst-Brown believes that the technique would have established its own limitations in any case. Not only was it becoming clear that raids were generally followed by bids, a discouragement to quick sellers: but a mismanaged raid or two, leaving the buyers with one per cent of the shares and egg on their faces, might have made brokers less keen to leap into the fray.

While dawn raids have come and gone, Rowe and Pitman has come and stayed in the forefront of its business. Nobody looking forward to a peaceful life in the City would venture anything so invidious as a league-table of prestige. But if they did, Rowe and Pitman would be in anybody's top five stockbrokers, and most people's top two or three. It may or may not act for the Queen, it is certainly a big fish among the blue-chip corporate clients, and it has a substantial presence abroad.

Hurst-Brown, now 61, is moving on retirement to Itchen Abbas, near Winchester—good country for his favourite recreation, fishing. Rowe and Pitman will, however, not be dispensing lightly with his wisdom. Its retired partners retain a consultant status, and the firm sets aside a communal office for their use.

Dog house

One of the less obvious casualties of the Laker crash is the affable Mr Yip, an eminent Hong Kong fortune teller. Noting recently that Sir Freddie Laker is a Dog in Chinese fortune terms, and that the Year of the Dog had just opened, Mr Yip predicted: "This may be a good time to invest in Laker Airways since Sir Freddie is entering a lucky period of his life."

Other Dogs include Henry Cooper, Barabara Woodhouse, Sophia Loren and Sir Hugh Casson. They have been warned.

Big wheels

President Leonid Brezhnev, I see, has been chosen to replace Lenin at the head of Rolls-Royce Motors' second advertisement in the series featuring its car owners who "shaped the world."

Some of the present owners were asked if their names could be used in the ads. Only one titled Englishmen refused — others like Sheik Yamani were

delighted. But Brezhnev was not approached. Does he still own a Rolls? "Oh, several," I am assured.

The campaign, linked to the latest Rolls model, the Silver Spirit, is the work of Michael Fox, creative director of Cogent Elliott, R-R's advertising agency. It took some two months' delving through the archives to compile the 138 names used so far — and more lists are planned.

The ads, featuring such disparate notables, past and present, as the Aga Khan, King Farouk, Muhammad Ali, Rudyard Kipling, and John Lennon, have apparently stimulated a flood of congratulatory letters and, Rolls trusts, more export orders to top its £77m total last year.

Perhaps the owner's name published with greatest satisfaction so far is that of Henry Ford.

A year after he bought his Rolls, Ford was visited by a gent in a bowler hat who said he had come to check that everything was all right with the car.

Ford wrote to Royce that he was "astonished" by the visit. "After I've sold one of my cars, I don't want to see or hear of it again," he declared.

Over drive

The Burmese Government, meanwhile, has launched a purge on the veteran jalopies which clutter the streets of Rangoon because they are "not in keeping with the dignity of the capital."

A recent government report complained that the vehicles "no more serve a useful purpose in transportation services and their frequent breakdowns cause blockage of traffic lanes posing a danger to passengers as well as pedestrians."

The cars—many of them around 40 years old—had also become a cause of fuel shortage, the report added.

In the past year, over 2,000 of the capital's 57,000 vehicles have been deregistered and action is to be taken against a further 1,000—most of them either "three-seater saloons converted into pickups for 5-13 passengers, or Japanese three-wheelers with handlebar steerings."

Dilapidated specimens will not be consigned willy-nilly to the rubbish dumps. They can be moved to other parts of the country, the Government says, where presumably dignity is less easily disturbed.

Poles apart

Polish friends got a letter from their home country the other day in which the writer used a couple of pages to vent her feelings about the military regime.

The censor left the string of rudely descriptive words untouched by his blue-pencil but inserted a short note protesting mildly that "we are not all like that."

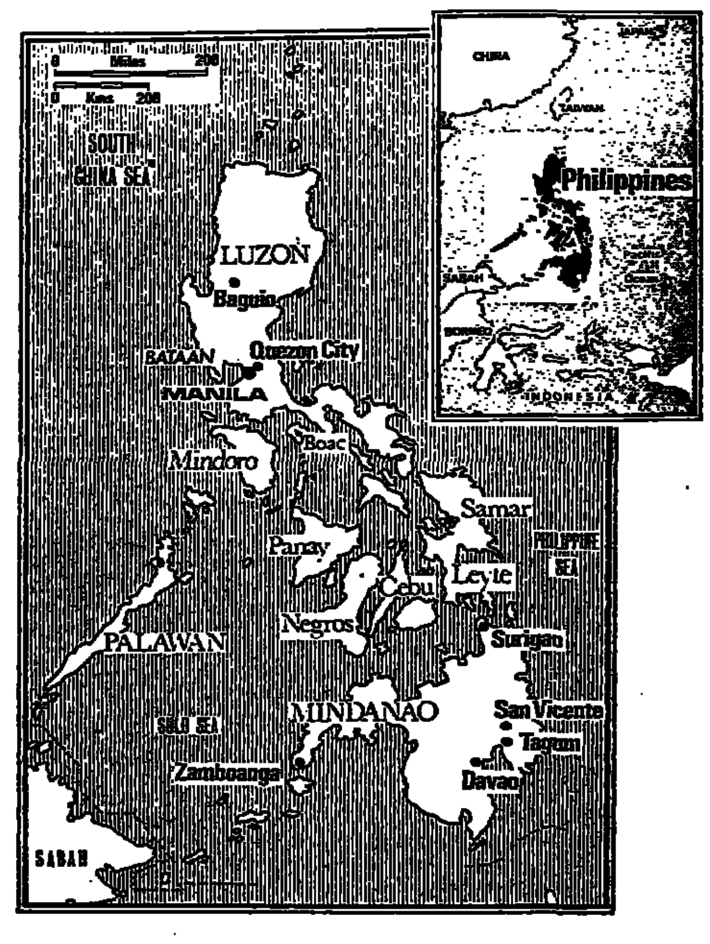
Observer

FINANCIAL TIMES SURVEY

Monday February 8, 1982

Philippines

President Marcos has over the past year introduced economic and political reforms at breakneck speed, partly because he recognises that the country's various economic ailments need *swift* and major surgery but also because he has begun to think about the succession —and the fact that time is no longer on his side.



Marcos turns his mind to a successor

By David Dodwell

"I NEED one or two years more," President Marcos said under the deafening rotary thud of his Presidential Puma helicopter shortly after it had sidled past a large cross set at the peak of a hill in Bataan.

The cross marks the spot where more than 1,000 men of the Philippine Army, besieged by the Japanese, chose to fight to the death rather than surrender. Among the few to survive the ordeal was President Marcos. It was here that Ferdinand E. Marcos became a war hero and that his political career began. Sight of the cross and the once-familiar fighting terrain slipped the President into pensive mood: "I am willing to step aside and be a benevolent father and ceremonial figure, or even retire."

The comment confirmed speculation that the President is preoccupied with the succession, and concerned about the place to be left to him in history. It illustrated that he is aware he is no longer young, that he must ensure an orderly changeover, and reminded the tiny group within earshot of the many unconfirmed rumours of the President's illness.

But it also throws up contradictions. It is impossible to believe that Marcos would jeopardise the achievements of his 16-year rule, or that he would relax his grip on power, before a safe succession was ensured. If the way forward to any resignation or retirement in two years' time is clear to President Marcos, it is clear to no one else.

Poverty

While the state of public order is much improved since September 22, 1972, when the President declared martial law because of "wanton destruction of lives and property, widespread lawlessness and anarchy, chaos and disorder . . . prevailing throughout the country," there is still enough turmoil to keep over 160,000 troops busy across the country.

While economic gains have been recorded over the past 16 years, there is still a yawning gap between the country's rich and poor. Extreme and growing poverty, particularly among upland farmers, plantation workers, and fisherfolk, nourish the grassroots support for Communist guerrillas of the New Peoples' Army (NPA) and the Moslem separatist Moro National Liberation Front (MNLF).

While the President has over the past four years begun to lay the framework for a kind of compromise between a one-party state and a multi-party democracy, the political party he has created, the Kilusang Bagong Lipunan (KBL), is in the words of one foreign observer, "widely seen as more an assemblage of personal interests than an effective tool of one-party government." The President himself noted recently: "Everybody believes that if I step down, the party will break. That's all they [the opposition parties] are waiting for."

While Marcos claimed: "I am not worried about the succession because we now have been able to start preparing all the members of the executive to replace me," he said almost in the same breath: "The President under our constitution can be whatever he wants to be. That's the truth about it." While various names are mentioned as potential successors, including his wife Imelda Marcos and Defence Minister Juan Ponce Enrile, there is no clear heir. A power struggle seems almost inevitable, in which bloodshed and military involvement could not be ruled out.

The President's concern over the succession should be seen in the wider context of his concern to maintain the pace of political normalisation in the Philippines which began in 1978 with the appointment of the interim National Assembly. Keen to be remembered not as a dictator but as creator of the New Republic and aware that time is not on his side, the President has quickened the pace of reforms to such an extent over the past year that he has thrown the opposition into complete confusion.

The formal institutions of martial law were abolished in January last year. In June Marcos sought constitutional legitimacy in Presidential elections. He now promises elections by "consensus" in the country's 40,000 barangays (villages) in April and plans full elections for the National Assembly in 1984.

President Ferdinand Marcos

So far, however, the liberalisation has been more symbolic than real. While the formal institutions of martial law have gone, the President has retained his wide-ranging authoritarian powers. While he won the Presidential election easily, he was opposed by no-one of calibre, and many areas boycotted the election. Those areas have been the location of sweeping military operations over the past four months. The barangay elections, to take the form of a consensus vote rather than a secret ballot, are likely to ensure a KBL victory. Most people believe the KBL would have been routed in a free poll.

While the claim to liberalisation should be taken advisedly, it has attracted a positive response in the U.S. from the Reagan Administration. Vice-President George Bush said in Manila in June: "We love your adherence to democratic processes." He said U.S. policies preferred "authoritarian governments" to "totalitarian regimes."

Apart from the somewhat surprising U.S. eulogy—a sharp contrast with the criticism pointed at the Philippines over its human rights policies by the previous Carter Administration —there are other signs that the reforms of the past year may have been aimed at a foreign audience as much as that at home.

President Marcos was keen to establish a favourable atmosphere ahead of the Pope's long-delayed visit to the Philippines in February, and to polish his image ahead of the Cancun summit in October. Hints from the Saudi Arabian Government that oil supplies would be cut unless the Government gave more attention to the problems of its Moslem minority may also have encouraged reforms.

These arguments are even more persuasive given the inauspicious setting for reforms. The financial crisis following the disappearance of financier Dewey Dee in January 1981 — described by Sr Jaime Laya, the central bank governor, as the worst crisis ever to hit the country's banking system—sent shock waves right through the economy.

The economy was vulnerable anyway, with rock-bottom world prices for the Philippines' main commodity exports — coconuts, sugar, copper and gold — and with an unprecedented sequence of severe typhoons. Rural poverty—over 50 per cent of the country's population subsist on incomes below the poverty line—was undoubtedly aggravated.

Unemployment worsened, as retrenchment in industry forced shut-downs, and as a further 700,000 youngsters entered the workforce in 1981. All of these factors must have nurtured the militant tendency, and nourished grass-roots support for extremists.

On the face of it this tendency is contradicted by the facts. The rash of urban guerrilla bombings which jeopardised the liberalisation process in autumn of 1980 has ended. The military claims major victories against the NPA and MNLF, and has given considerable publicity to carefully staged mass surrenders. But opposition parties complain that many once moderate supporters are defecting to join the militant Left, and there is evidence to suggest that the NPA is laying low.

Perhaps then, the lessons of the militancy and conflict that erupted on the streets of Manila during the last half of 1980 were that eight years of martial law have bred only a continued need for martial law, and that if Marcos were to wait for an auspicious time to relax, then he would probably have to wait for ever.

There are signs that President Marcos has reached the conclusion martial law is simply not a style of government that sits naturally on the shoulders of the easy-going Filipino people—or for that matter on his own. As one foreign diplomat noted: "There was always a strong element of ad hoc-ism in Marcos' military rule, which is probably not surprising in a society which must be the non-confrontational society par

CONTINUED ON PAGE VIII

BASIC STATISTICS

Area:	116,000 sq miles	Trade 1981 (est.)	
Population:	50m	Exports:	$5.9bn
GNP (1972 prices—est. first half 1981):	$12.38bn	Imports:	$8.4bn
GNP growth rate:	5.2 per cent	Trade with UK 1981:	
Per capita:	$780	Exports to:	£99m
Currency: Philippine pes.	£=P15.25	Imports from:	£89m

CONTENTS

The economy is beset by troubles—with few signs of recovery as yet, **David Dodwell** reports.

World recession takes heavy toll

THE PHILIPPINE Government will remember 1981 as a dreadful year for the economy—and at this admittedly early stage there is very little to make them feel more optimistic about prospects for 1982.

Last year began with the disappearance of Mr Dewey Dee, textile entrepreneur and banker, who left behind about $80m in largely unsecured debt aid triggered what Mr Jaime Laya, the central bank governor, described later as the worst run ever encountered on the country's banks. In the severe liquidity crisis that followed the bank introduced sweeping reforms of the financial sector and was forced to take emergency steps to rescue a number of investment houses and leading manufacturers.

This crisis, coupled with the world recession which depressed both international demand and prices for the Philippines' largely commodity exports took its toll of both the agriculture and industrial sectors of the economy. To compound the country's economic problems an unprecedented number of severe typhoons wrecked crops and ruined homes and roads. Even tourist receipts—one of the leading foreign exchange earners—fell from the 1980 level, in part because of government moves to stop the package "sex tours" which came mainly from Japan.

At the same time the cost of imports rose relentlessly, with oil imports, the main aggravating cause, costing 40 per cent more than in 1980.

The outcome is a drab set of economic indicators. Gross National Product (GNP) rose by 5.2 per cent at best—far below the annual 6.5 per cent target set for the country's current five-year plan period, and the slowest growth rate among the five member states of Asean, of which the Philippines is a member.

Export growth was only 3 per cent according to provisional figures for the financial year which ended in December. This compares with a 26 per cent rise in 1980. Imports meanwhile grew by a provisional 11 per cent in value, after a 26 per cent increase in 1980. A trade deficit of $2.3bn is estimated for the year, up from $1.94bn in 1980, with a deficit on the current account of $2.5bn and an overall deficit of $375m.

Vulnerability

The poor performance of the coconut industry, which is critically important to the country since it employs directly or indirectly about one third of its workforce, illustrates the vulnerability of most of the Philippines' *commodity exports to* the whims of world pricing that has more to do with speculation than with the forces of supply and demand.

Exports of coconut oil, the most important coconut product, rose by 10 per cent, but income slipped by about 5½ per cent. The income on all coconut product exports fell by 8½ per cent to about $770m according to recently obtained provisional figures. Export income from sugar, bananas, coffee, copper and even gold, suffered in a similar way.

In order to keep debt repayment below the ceiling set two years ago (20 per cent of the previous year's export earnings) reserves have been run down by *about* 20 per cent to $2.5bn. This sum still covers four months' imports.

An official unemployment level of just 4 per cent disguises a much higher level in the *politically* sensitive metropolis of Manila and would be higher still if the indicator were not defined so as to exclude anyone who has had one hour of profitable employment in the past three months.

Among the few bright spots is the rate of inflation, which has fallen to about 10 per cent from the 20 per cent levels of the late 1970s. If oil prices stay steady over the coming year, as *they are expected to do*, then inflationary pressures may ease still further.

Many government officials complain that economists lay too much stress on these various indices as measures of economic

Prime Minister Cesar Virata, who is also Finance Minister, heads the team entrusted with the task of reviving the economy

progress. But the country's progress would probably appear much worse if expressed in more human terms. For example, GNP per capita is an austere $780. But this papers over the yawning gap between the country's rich and poor, and disguises extreme and worsening poverty among the country's rural farm and plantation workers and *fisherfolk*.

Because of the various adversities of 1981—many of which were outside the control of the Government—and the country's heavy dependence on the *depressed* U.S. economy, it is evident that the Philippine economy is essentially marking time, waiting for the upswing in the developed countries. This, after a lag of about six months, would inject fresh life into the domestic economy. Therefore recent hints that recovery in the U.S. may still be distant can hardly be encouraging news in Manila.

In the face of this adversity the Government's technocrats can take grim comfort in the knowledge that things would have been much worse without their tight management of the economy.

Most foreign financiers, from the International Monetary Fund to the numerous commercial bankers and investors in the Philippines, feel the crisis triggered by the Dewey Dee affair would have wrought immense damage to the economy without prompt and sweeping reforms imposed by Mr Laya at the central bank. Instead, foreign confidence has been maintained, with foreign investment for 1981 likely to better the $226m of 1980 by about 7 per cent.

Similarly, the energy import bill would have soared by much more than 40 per cent without impressive efforts at conservation. Overall consumption of oil products fell by 5 per cent *and while* a large part of this was due to lower consumption in the country's depressed industrial sector, some at least can be attributed to the Government's energy-saving campaign. A 30 per cent cut in petrol consumption in 1980 was followed by a further 19 per cent cut last year.

A strong drive to boost rice production has at last brought the country to self-sufficiency in foodgrains and allowed important foreign exchange savings.

At the same time a policy of positively encouraging labour migration—mainly to the Middle East—has helped reduce unemployment at home and is generating much needed foreign exchange. An estimated 500,000 workers repatriated about $1bn in 1981—and perhaps much more through illicit channels.

The external difficulties come at a time when the economy is vulnerable, poised as it is in the middle of an undoubtedly painful period of turning industry round from protection and import-substitution to being export oriented and internationally competitive.

This turn-around has shown some signs of success, with strong growth among "non-traditional" exporting industries like textiles and electronic components. But even here sustained growth is unlikely unless the problems of "croynism" (privileges won by virtue of close relationships with the President or other members of the first family), corruption and a grossly inadequate *infrastructural base* are tackled as a matter of high priority.

President Marcos, influenced by the technocrats around him, has been made well aware of extent to which economic growth and poverty alleviation are being hindered by such problems. In the country's new five-year plan, now finalised and due for implementation in January 1983, there is at least *verbal commitment to tackling* them. Highest priorities in the plan are:

● Energy conservation and boosted domestic energy production. By exploiting the country's coal, geothermal power, hydro-electric potential and dendrothermal (wood-burning) power using the "miracle tree," ipil-ipil, domestic sources are planned to meet 50 per cent of domestic demand by 1986. This compares with 7 per cent in 1978 and 22 per cent in 1981.

● Production of a wider range of agricultural crops for export. The problems of the coconut industry are unlikely to be resolved in the foreseeable future, with continued depression in world prices and powerful domestic vested interests preventing much-needed reform of the industry. The need to conserve timber reserves, to generate more income from the timber industry by establishing timber processing plants and to conserve fast-depleting fish stocks, adds to the pressure to find new agricultural products for export.

● Incentives for small and medium-sized industries, particularly in the countryside and based on processing agricultural products. This will be the primary source of new employment in the country, and will be the prime target of the Government's new and widely publicised KKK or national livelihood programme.

● The 11 major industrial projects. These are to be pressed ahead with varying degrees of urgency despite fierce domestic criticism because the Government is convinced that they must form the foundation for industrial growth in the future and are necessary to correct the past bias towards agriculture.

● Improving the country's infrastructure. Anyone who has travelled away from Manila will be well aware of the dire state of the roads. A national power generating capacity of just 4,800MW is inadequate for an industrialising country. Telecommunications are also inadequate.

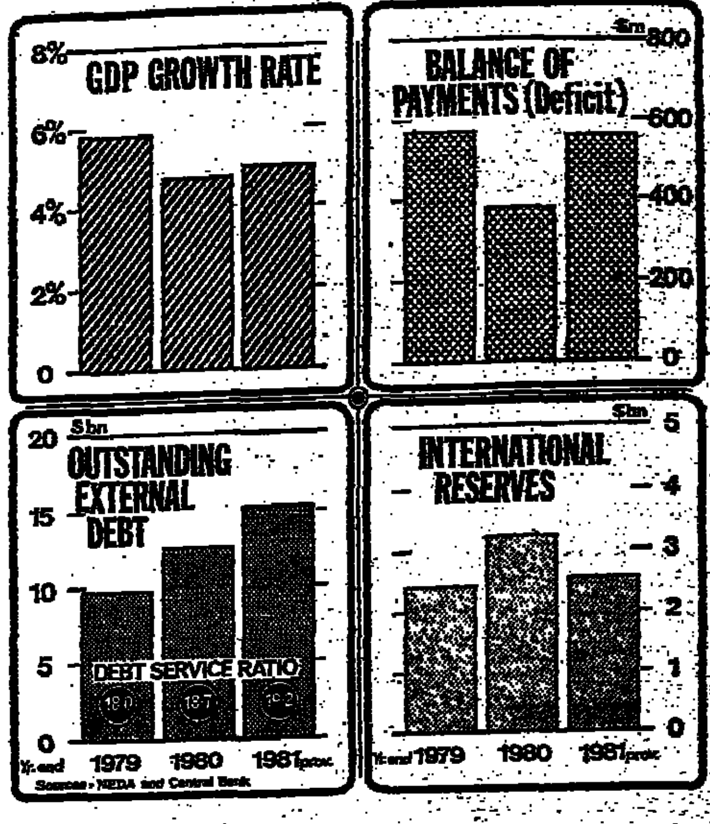
The awarness of—and formal commitment to overcoming—major obstacles to economic growth is there. But how effectively that commitment will be translated on the ground has yet to be seen. Future economic pressures mean the Government cannot afford to slip far from the targets of the five-year plan.

While oil prices are likely to remain steady over the coming year or two; they are unlikely to fall, so the pressure to boost exports will remain intense. At the same time signs that mainland China is keen to take a larger share of the world's trade in simpler electronic products, and textiles and garments, but pressure on domestic Philippine industry to move into higher technologies.

Similarly, population growth in the Philippines is still rapid, with an extra 700,000 people entering the workforce every year. The problem of generating jobs for these people is formidable. While self-sufficiency in food-grains has been achieved this year, such self-sufficiency cannot be assured while the population continues to grow at about 2.6 per cent a year.

An extraordinary — and perhaps short-term — headache is likely to be a rash of labour disputes. During eight years of martial law most labour disputes were effectively forbidden. But in the year since martial law was lifted and more trade union freedom granted, there have been about 250 strikes — more than the total for the whole martial law period. This year is likely to prove worse rather than better.

It is a measure of the international confidence in the men managing the Philippine economy — most prominently Mr Cesar Virata, Prime Minister and Finance Minister, Industry Minister Roberto Ongpin, and central bank governer Jaime Laya — that it can continue to attract international loans on favourable terms and fresh foreign investment despite the problems faced.



The group of graphs above illustrates the economic dilemma. Growth of GNP last year was just over 5 per cent—well below the 6.5 per cent target set in the current five-year plan. Poor export performance has increased the balance of payments deficit and cut into reserves. External debt is up, but here the country has the reassurance of a continued sound credit rating abroad

Much hangs on the coming five-year plan. **Emilia Tagaza** outlines the strategy.

Three sectors given top priority

FOOD, INDUSTRY and energy are the trio of top priorities in the Philippines' development plan for 1983-87. Economic planners envisage a well-fed population manning a growing industrial sector fuelled largely by domestic energy sources. When put firmly in place the three elements are expected to boost the country's economic growth rate to 6.5 per cent annually over the five-year plan — a modest target when compared with the average growth rate of 5.5 per cent during the last four years.

The country's Prime Minister, Mr Cesar Virata, said that the plan's first priority is to grow enough food even in the remotest villages.

Gains in agricultural productivity have been largely offset by population growth. Last year food production rose 5 per cent while the population increased by almost 3 per cent—yielding a net increase in food output of only 2 per cent. Output has not improved satisfactorily over the last few years despite massive spending on agricultural infrastructure like *irrigation and feeder roads*, more widespread extension services and greater availability of agricultural credit. (By decree commercial banks are required to reserve 25 per cent of their loan capital for the agricultural sector.)

Low agricultural productivity and a poor system of food distribution have resulted in malnutrition among Filipinos. While the plan aims at expanding agricultural yields it places special emphasis on food production for the "nutritionally at-risk and deprived population group."

DEVELOPMENT PLAN TARGETS 1983-87
(real growth rates, per cent, at 1972 prices)

	1980	1981	1983-87 (annual average)
Gross National Product	4.7	5.0	6.5
Agriculture, fishery and forestry	5.9	4.9	5.0
Industry	6.0	6.3	7.6
Mining	4.8	(6.1)	6.2
Manufacturing	5.9	5.7	7.7
Construction	9.7	13.4	7.2
Services	5.5	4.4	6.1

The plan has a two-pronged approach. The grassroots side *looks to improved and stable* income for farmers as the best incentive to raise yields. Income improvement necessarily requires low production costs and the plan aspires to achieve both through the expansion—plus rationalisation—of existing agricultural infrastructure projects and credit activities.

Accelerated

Agrarian reform will be accelerated in order to increase the number of owner-cultivators, who are assumed to be more productive than tenant farmers or share-croppers. The system of buying and marketing agricultural produce is also to be rationalised in order to weed out the thick layer of middlemen.

The other side—rationalisation of land use—recognises the problem that more and more agricultural land is being converted to commercial and industrial uses. The plan sees that much more land will have to be put under the plough as *the population grows. The plan* aims to ensure the eventual cultivation of all land suitable for agriculture.

Government planners admit that productivity is low not only in agriculture but also in the industrial sector. Philippine industry during the past decade has relied onimport substituting light industries whose domestic market is not expanding rapidly. The plan's industrial *strategy is to stimulate* manufacturing for exports. Philippine industry is to be made internationally competitive on three fronts.

For a start, existing import-substituting industries are to be modernised and expanded to raise efficiency. Secondly, small- and medium-scale industries are to be encouraged since they contribute significantly to increased employment and dispersal of industries to rural areas. But to qualify for Government incentives small- and medium-scale ventures must strive to export part of their output.

Thirdly, capital-intensive basic industries are to be established to provide links with existing extractive and light-manufacturing industries. Providing impetus for the development of heavy industries are Ministry of Industry's 11 major industrial projects. These are also partly directed towards the export market.

A big portion of the manufacturing sector's production *expenses go in eurgy costs*—80 per cent of the country's total commercial energy comes from imported oil. The plan's target is to build up the country's domestic energy sources, eventually reduce the country's dependence on imported *oil* to about 50 per cent of energy and ultimately provide less expensive and secure energy industries that are to get priority under the plan.

The Ministry of Energy is accelerating the development and production of domestic fuel sources specially for industrial use. Coal is foremost of these. Cement plants are to be used as pilot projects *for oil-to-coal conversion. The* Industry Ministry plans to extend coal use to more industries, including textiles and other energy-intensive plants. To reduce power costs further, more power plants fueled by coal or geothermal energy will be built so that oil-fired thermal plants can gradually be retired.

Self-sufficiency in energy is treated almost as a panacea at a time when the Philippines' trade and payments deficits are worsening. The planners hope to reduce oil imports by significant amounts in order to narrow the deficits and so direct foreign exchange savings to more productive activities.

In measurable terms the plan's ultimate goal is to raise annual per capita income from the current $780 to $1,700 by 1987. The problem with statistics describing average incomes in the Philippines is that they take no account of the uneven distribution of wealth. The plan admits that the "differences in income and *development among* regions throughout the country are alarming." The metropolitan Manila area continues to be the greatest beneficiary of national development efforts while widespread and sometimes extreme poverty can be found in the central region of Bicol and in northern and western Mindanao in the southern Philippines.

Programme

Under the plan the formula for more equitable income distribution is the new national livelihood programme, the Kilusang Kabuhayan at Kaunlaran (KKK). Through the KKK *programme small* and medium-sized projects will be financed in communities throughout the country. These are to be owned and managed by the villagers themselves and funded partly or entirely by the Government through selected private financial institutions which will provide professional guidance. The plan predicts that the KKK will increase people's participation in productive and gainful activities, will significantly reduce underemployment and limit unemployment to a maximum of 4 per cent by 1987.

More relaxed regime still leaves doubts

"PRESIDENT MARCOS probably looked in a mirror and realised he is running out of time," mused one foreign diplomat, perplexed as he was, by the hectic sequence of political reforms introduced by the President over the past year.

Martial law has been dismantled. Presidential elections held, the National Assembly strengthened, a Prime Minister appointed and the cabinet given more authority. The Press—though still not free—has a little more freedom. Nationwide "elections by consensus" are to be held at barangay (village) level, probably in April.

Commentators have been confounded by the pace and scope of the changes. "Is the President losing his grip or is he still the master of the Philippine political cauldron, allowing a little steam to be let off?" one questioned recently.

Political opponents and critics of President Marcos, who over the past nine years have learned to be wary about what they say for fear of attracting the heavy-handed interest of the martial law authorities, are still deeply suspicious.

Accepting that many of the formal institutions of martial law have been abolished, they note that the President has kept wide-ranging authoritarian powers—far more than in the French Presidential system, on which the new republic is supposed to be based. The Presidential election, held last June, was widely boycotted by opposition parties who were convinced that the result was "pre-tallied."

They note that elections at the barangay level—which would be extremely difficult to manipulate since there are more than 40,000 barangays across the country—are not to be freely held but are to be based on a consensus vote. This almost certainly prevents the ruling party of President Marcos, the Kilusan Bagong Lipunan (KBL), from receiving the electoral drubbing which most observers feel it would get in a free poll.

Pointing to the "sad state" of the opposition parties, the President has in recent months repeatedly called for mergers between them as a counter-weight to the overwhelming dominance of the KBL. "Undoubtedly the KBL is too strong," he said recently. "We cannot allow a party to run roughshod over everybody. We cannot be sure we [the KBL] are right always. Such power will encourage abuse by individual members of the party." But opponents have until now waved his request aside, seeing it as a siren call intended to lure them on to the rocks and ruin.

Yet the opposition has been tempted and tantalised by President Marcos's reforms. It is a rash politician who is not now looking at the days beyond President Marcos and to the struggle for power that is likely to take place in his wake. Since many are convinced that the KBL, which was created by Marcos and is unified solely in its support for him, will fragment when Marcos steps aside, they are keen to be in a position of strength when that day comes.

For this reason, the United Democratic Organisation (UNIDO), which has until now merely been an umbrella for different political parties, is likely soon to transform itself into a single party under unified leadership.

But just how much further the UNIDO can extend itself beyond the two parties which currently share its umbrella—the Nacionalistas and the Liberals — is open to doubt. Two recently created parties which are thought likely to be able to generate strong backing — the Social Democratic Party (SDP) of Rueben Canoy and Francisco Tatad and the Philippine Democratic Party (PDP) which has grown out of the ashes of the Mindanao Alliance —are likely to stay aloof.

The PDP shuns UNIDO's old patriarchal leadership style. The SDP is widely suspect, mainly because one of its founders, Tatad, was until some years ago head of public relations for the President.

Committed

One opponent, echoing this suspicion, said: "Tatad was not only the Marcos apologist, he was in control of the Government media. It's his misfortune that people still take him as a Marcos man." For all that, Canoy and Tatad are two strong politicians who are committed to proving sceptics wrong.

The issue of the succession is definitely at the front of President Marcos's mind: "I need one or two more years. I am not worried about the succession because now we have been able to start preparing the members of the executive to replace me."

In hoping to bequeath to the country a reconciled political system, President Marcos recognises that it is not the executive but the new President who will have to balance the country "on the razor's edge."

Two names are most frequently mentioned as possible successors. His wife, Imelda Marcos, is known to be personally ambitious, but is strongly disliked by many Filipinos. As Minister of Human Settlements she has considerable power. By virtue of controlling the new KKK national livelihood programme she theoretically has power through patronage which extends right to the village grassroots.

Defence Minister Juan Ponce Enrile also has powerful backing, and is close to the President.

Others sometimes mentioned are Prime Minister Cesar Virata —who as a hard-working and impeccably honest technocrat and financial overlord has an impressive international reputation and thus a political base of sorts inside the country—and Blas Ople, the Labour Minister, who is close to the President and sees the union movement as his political base.

An *eminence grise* is Mr Benigno Aquino, who is currently in self-imposed exile in the U.S. and faces a death sentence if he returns to the Philippines. Aquino is described by all who know him as a formidable political leader, with immense popularity in the country. It is doubtful whether President Marcos would ever allow him to return freely to the country, but if he did, Aquino would be an immediate and powerful political force. As one foreign diplomat noted: "I don't think you can write Aquino off so long as he is alive."

After nine years of martial law the military in the Philippines have acquired considerable power. While they have no tradition of direct intervention in politics, observers feel they can no longer be relied upon to stay aloof in the event of a scramble for power when President Marcos steps down. At the same time, however, the army seems as faction-ridden as the wider body politic, so it should not be assumed that they would enter the political fray as a unified force.

Aloof from this struggle for temporal power, the Roman Catholic Church maintains tremendous influence. Under the guidance of Cardinal Jaime Sin it has been an important moderating force in recent years. There is, however, a growing body of Catholic clergy which is advocating a more direct, and sometimes militant, role for the church. Cardinal Sin counsels caution: "If the church becomes entangled in the politics of today, it will become the widow of the future," he argues.

Political extremism is still a constant worry for the regime of President Marcos. While the highly publicised urban guerrilla bombings of late 1980 have died away, support for the Communist guerrillas of the New People's Army (NPA) is strong, especially in the poor southern parts of the country.

There are conflicting views on the seriousness of this threat, with the military arguing that the situation is better now than it has been for a decade. But many observers beg to differ, particularly some of the opposition leaders who see supporters defecting in a steady stream to join the militants.

While radicalism is currently no more than an irritant, it can be assumed that in the event of any political upheaval in the future its supporters might play a critical part. The Government of President Marcos has still done little in the poorer parts of the country to root out the causes of extremist sympathy.

David Dodwell

Alleged members of the NPA killed in a clash with the military

WHEN President Marcos declared martial law on September 22 1972 his justification was "wanton destruction of lives and property, widespread lawlessness and anarchy, chaos and disorder . . . prevailing throughout the country." When he formally revoked martial law in January last year he claimed this was possible because internal stability had been re-established.

Yet the guerrilla armies of the NPA and MNLF remain at large and many opponents talk of a steady collapse of public order and increasing political militancy. If such claims are valid then nowhere would it be more apparant than in the turbulent south eastern province of Davao on the island of Mindanao. David Dodwell visted the province to gauge the mood.

Conflict of claims

AT HIS desk behind an ornate metal nameplate, the swashbuckling mayor of Davao, Sr Elias B. Lopez, moved on to the offensive: "We would like to treat the bombing of Davao Cathedral in April last year as an isolated incident. The situation certainly isn't perfect, but neither is it that bad. We have subversives, but they are not the monopoly of Davao City. They are all over the Philippines."

He stabbed a finger across the desk: "You have been travelling about Davao. Have you found a climate of fear? Have you seen the military or tanks on the streets?"

His rhetoric, typical of the establishment in the urban centre of Davao, was fair. Outside the potholed streets of the city were clogged with brightly painted "Jeepney" taxis cruising anarchically in search of passengers. In the bustle it was easy to understand the city's "Wild West" reputation. But there was not a soldier to be seen, and the pop music blaring from almost every shop certainly did not suggest a climate of fear.

But 180 miles to the north, beyond roads made impassable by heavy rain, one is told the mood is different. In Davao del Norte and neighbouring Agusan del Sur, the 37th infantry battalion of the Philippine Army has since October swept in against Communist guerrilla bands of the New People's Army (NPA).

By all accounts this is wild country, with roaming bandit bands boasting exotic names like "Rock Christ," "The Lost Command" and "Rural Reform" —some of them used informally as private armies by local plantation owners. Villagers in the area have been pressed to move from their homes into consolidated villages as part of a military strategy suspiciously similar to the "hamleting policy" used by the U.S. Army in the Vietnam war. The aim is to deny the NPA the food, shelter and safe haven which used to be offered them in the area and to make military assaults on the NPA simpler to mount.

The army claims the policy has been a great success and plans to use it when necessary in other troubled areas of the southern Philippines. The NPA has withdrawn from the area. The local villagers, gathered together in manageable urban groupings, can now be provided more easily with the services which the Government failed to provide in the countryside—like schools, health centres and electricity. They can also be watched more closely.

Request

The military claims that the "hamleting" policy was not imposed by them but simply implemented after a request from local councils. But the speed with which the Mayor of San Vicente, at the centre of the troubled area, responded to a military request to travel south to Davao City for an interview with me must cast serious doubt on the independence from the military of these local government leaders.

The picture as described by missionaries and health workers visiting the troubled area contrasts starkly with that painted by the military. The talk is of villagers living in fear of the army who have been forced to demolish and move their homes twice in the past four months. The missionaries report gross overcrowding in the enlarged villages, of increasing ill health as a result of poor sanitation, and of villagers having to walk up to 12km a day to and from their fields, with body checks on exit from and entry to the village and of a dawn-to-dusk curfew.

Far from agreeing with the military's claim that villagers by and large approve of their new life, the mission workers talk of smouldering resentment and of villagers more than ever alienated from the authorities. In the words of one missionary: "If the army withdrew tomorrow the NPA would return in greater force and would have more widespread public sympathy than they had before the military came in."

Even Mayor Lopez confirms the missionaries' claim: "The people are being sandwiched between the Government and the NPA, so their best policy is to dance with the music. But in the far-flung barangays (villages) there are subversives and people are close-lipped. When they won't talk you know there is something they don't want you to know."

While admitting that public order could probably not be maintained without the military and claiming at the same time that accusations of army brutality or abusiveness were exceptions rather than the rule, establishment figures admit that relations between the army and the local people were poor. "But what would you expect?" one said. "It is the police who are trained to pacify and maintain public order, while the army, on the other hand, is trained for combat. They are trained to kill."

Source

Like the missionaries, many groups in the community see poverty and other economic problems at the source of discontent. Few are persuaded that military operations, no matter how effective in strictly military terms, can root it out.

Heavy spending on the area's infrastructure has been financed largely from World Bank and Asian Development Bank funds. In addition the funds of the new KKK—or national livelihood—programme are to be tapped to provide jobs and business opportunities to subsistence farmers in the area. But whether these funds can penetrate through the layers of bureaucracy and corruption in the community has yet to be seen.

Davao City leaders do not accept that attempts to consolidate landholdings by large domestic companies and foreign plantation groups—attacked as land-grabbing by critics and indisputably forcing subsistence farmers off their lands in some instances — have aggravated hardships. They claim instead that the "pioneering ventures" of plantation companies "can produce more employment and improve the living conditions of many villagers."

At the same time, however, Mayor Lopez acknowledges that a 15-month dispute over the outcome of the January 1980 mayoral election in Davao—a dispute in which the defeated mayor refused to vacate his office until April last year—has inflicted damage on the region's development. "During the dispute the city was at a standstill. Everyone was working on a 'hold-over' basis, and the city's development plan was left idle. Rural barangays were especially neglected. That is probably why so many of them began to sympathise with the NPA."

For now, certainly, the extremists in Davao are at bay. Whether the military has managed to inflict serious injury on them or whether they have simply slipped into neighbouring provinces to lie low is impossible to discern. Either way it is clear that the military can only provide local leaders with a breathing space. If they can use this space to improve the livelihood of the rural poor then they may yet wean them away from the extreme options offered by the NPA. If they cannot then there is no doubt that radicalism will spread, perhaps to imperil the stability of the whole country.

Anxiety as food production fails to keep pace

IN THE LATE 70s agricultural production was the showcase of the Philippines' development efforts.. But the deceleration in agricultural growth last year is causing anxiety among government planners who now have to work assiduously to sustain food sufficiency and security.

Estimates from the National Economic and Development Authority, the country's economic planning body, show that agricultural output last year grew by 5 per cent, slightly less than the previous three year's average of 6 per cent. But given a population growth of almost 3 per cent a year, last year's agricultural output in real terms could not have grown by more than 2 per cent.

Quite disturbing is the output in grains, particularly rice, the Philippine's staple food. According to a Ministry of Agriculture report, rice production last year dropped to about 5.2m tonnes, a distressing decline from 1980's record harvest of 7.5m tonnes and 1979's 7.2m tonnes. Grain self-sufficiency, in fact, was attained in 1979 and for the first time since the mid-60s the country exported about 250,000 tonnes of rice to Brazil, Indonesia and Malaysia.

Last year, however, exports were at a negligible level and may be stopped altogether this year. Mr Jesus Tanchonco, administrator of the National Food Authority (NFA), the centralised procurement and export body, said that NFA will place most of its procured rice on inventory to cushion any crop damage this year.

The fall in production was attributed to destructive typhoons last year, drought in some rice-growing regions, and reduced acreage.

While there are pressures on the Government to keep official support prices down for the benefit of urban wage earners, it must also improve and stabilise the income of farmers who comprise the majority of the country's labour force. The National Development Plan (1983-87) states that in the next five years there will be important changes in support and ceiling prices for rice and corn. The aim is to keep farmers' production costs low and productivity high through greater spending on agricultural infrastructure such as irrigation, farm-to-market roads, and extension service.

Other food crops have fared well. Maize output last year grew by 16 per cent to 3.6m tonnes. Root crops, which sometimes serve as rice substitutes, yielded almost 4m tonnes, compared with the previous 3m tonnes — vegetable production rose from 0.5m to 1.7m tonnes—and fruits and nuts increased from 5.7m to 6m tonnes.

Despite the self-sufficiency in food, malnutrition remains a fundamental concern. The food and nutrition research institute (FNRI) said that the Filipino's average daily calorie intake in 1981 was about 1,880 calories, a marked improvement from the 1980 average of 1,670 calories, but still below the FNRI's recommended level of 2,020 calories a day.

One reason for widespread malnutrition is the failure in raising agricultural output at a fast enough pace with population growth. One government strategy intended to ensure an acceleration in food production is the rationalisation of land use. The five-year development plan prescribes the eventual cultivation of all lands suitable for agriculture.

The abysmal performance in 1981 of the country's foremost cash crops, coconuts and sugar, contributed substantially to the erosion of real income. The coconut industry, which directly or indirectly employs 16m Filipinos, equivalent to 33 per cent of total population, has traditionally been the country's top export earner. The country accounts for 80 per cent of the world's coconut trade. As such, its export performance has a trigger effect on the economy, from trade and payments balances, to investment and industrial activity and ultimately incomes.

In the mid-70s coconut producers benefited from rising prices of coconut oil. The national economy also benefited as the incremental dollar earnings from coconut helped to offset the meteoric rise of the oil import bill. But when the average price of coconut oil plummeted from 44 cents a pound in 1979 to 30 cents in 1980 and to the current average of 25 cents, the economy was hard-hit.

Coconut production last year was estimated to have increased 10 per cent from 1980's output of 2.1m tonnes, but the value of coconut exports is assessed to have just equalled 1980's $808m.

This year doesn't hold much promise for the coconut industry. The continuing slump in world prices especially of coconut oil has spawned domestic controversies that resulted in major changes in the country's pricing and marketing policies. Changes were introduced only last month and while the industry adjusts to new policies, domestic trading in copra (dried coconut meat) and the production of coconut oil have virtually come to a standstill.

The controversies centred on two issues—the coconut levy, an amount collected from farmers which is later returned to them in the form of subsidies—and the unified system of exporting coconut products. There were strong pressures for the levy suspension and the dismantling of the marketing monopoly of the United Coconut Oil Mills (Unicom), the quasi-government body which controls about 85 per cent of the coconut trade.

The new policies meet these pressures half way. From a fixed levy of 50 centavos per kilogram of copra, the industry will now follow a sliding percentage based on world coconut prices. But whenever the price goes below 20 U.S. cents a pound, the levy will be suspended. The Government also announced a gradual dismantling of the unified marketing system, allowing any qualified trader or exporter to sell copra and other coconut products.

While the future of coconuts as an export crop is threatened, the Philippines is developing alternative uses of coconut oil to disentangle the commodity from its dependence on the volatile export market. Industry minister Roberto Ongpin is pushing for the accelerated implementation of a giant coconut chemical processing plant designed to convert the bulk of the country's coconut oil output into fatty alcohol used in the manufacture of soaps, detergents and cosmetics. The Government also talks about exploiting the coconut fruit as a food product and coconut oil as a blend with diesel for use as engine fuel.

Meanwhile, production of sugar, the other star export crop, has been erratic owing to depressed world prices. Sugar production during the 1981 crop year was 2.4m tonnes, 4 per cent higher than the previous year's output, but 17 per cent below the good harvests of 1975-76.

Many sugar planters, pessimistic about future sugar prices have switched to other cash crops. Others, reeling from high production costs (fertiliser and labour) have cut down on production. Still others want to go into mechanised farming but their tight liquidity prevents them from doing so.

As a way of offsetting the expected decline in coconut export, and to cushion depressed sugar prices, the Philippines has ventured into commercial estate production of palm oil. So far, 33,000 hectares have been set aside for oil palm plantations in Agusan del Sur province in the southern region of Mindanao. Since the phenomenal growth of the banana plantations in Davao province, also in Mindanao, the emergence of palm oil estates is perhaps the most significant agribusiness development in recent years.

The Malaysian-based Guthrie Holdings and Keck Seng of Singapore are cultivating 16,000 hectares of plantation land. Their output, both the fruit and palm oil, will all be exported. All foreign companies venturing into plantations in the Philippines have to tie up with the state-owned National Development Company (NDC), the only local firm allowed to own more than 1,000 hectares of land.

The establishment of new plantations, the growth in domestic use of traditional export crops, and the vigorous efforts at rationalising production costs and maximising agricultural productivity are all important achievements. But as the World Bank says in one of its Philippine reports, "one essential role of the agricultural sector in the development process is the production of surplus commodities to fuel industrial growth, as food for the labour force and as capital through foreign exchange earnings."

Cash crops may have contributed to industrial growth and to enhanced export earnings but the country still cannot boast of surplus food for its rapidly growing population.

Emilia Tagaza

PHILIPPINES TRADE*
FIRST TEN MONTHS—($m)

	1981	1980
EXPORTS		
Coconut products	665.57	625.97
Minerals†	756.75	1,009.37
Sugar	408.74	417.74
Garments‡	343.82	255.45
Forest products	329.98	373.32
Fruit and vegetables	238.42	219.36
Electrical goods	113.64	113.70
Marine products	100.90	106.22
Chemicals	72.83	66.28
Other	648.79	624.27
Total	3,679.44	3,811.6
IMPORTS		
Petroleum	2,404.04	1,440.15
Non-electrical machinery	823.67	950.39
Iron and steel	313.76	311.46
Transport equipment	278.49	287.39
Electrical machinery	207.27	200.49
Chemical compounds	206.75	186.84
Miscellaneous manufactured articles	133.81	124.00
Wheat	129.34	123.98
Textile yarn fabrics	97.71	95.42
Other	1,387.88	1,516.05
Total	6,048.2	5,235.73

* Central bank data based on customs receipts.
† Of which copper $463.07 ($584.41).
‡ Non-traditional

Faced with a widening trade gap the government is seeking a quick boost in exports. Peter Bruce reports.

Industry's task of heading export drive

THE PHILIPPINES' intention to direct its industrial effort away from import substitution and towards exporting has been widely publicised, as if it were an established fact.

While it is true that exports of non-commodity "non-traditional" goods have risen the most dramatically in the past four years, official receipts for the first 10 months of last year show that coconut products easily retained their traditional ranking as the country's main export. Sales of electronic components, identified by some statistical sources as having led not only the non-traditional sector but also the entire export market last year, are ranked only eighth according to Central Bank receipts.

Mining sector exports as a whole fell 25.02 per cent to US$756.75m. Copper concentrates, which accounted for 42.37 per cent of minerals exports for the first 10 months, fell to $463.07m from $584.41m in 1980.

Sugar exports, which traditionally vie for second place with the mining industry, stood at $408m last October, down only 2.1 per cent from the previous year's receipts of $417.74m. Forest products, chiefly exports of unprocessed logs, dipped slightly in the first 10 months after the Government imposed curbs on the export of logs in an attempt to generate a local processing industry.

Nevertheless forestry exports kept a place among the Philippines' top five export earners, having dropped 11.6 per cent by last October, after sales of $373.32m during the same period in 1980.

The Philippines total export earnings for the first 10 months of last year were $3.8bn, down only 4.5 per cent from the 1980 equivalent. Overall 1981 export totals published by Mr Jaime Laya, the Central Bank Governor, last month reveal a marginal improvement in export performance in the final quarter, with the total fall in earnings from 1980 narrowing to 4.31 per cent. Total exports in 1981, the governor reported, were $4.45bn, compared with $4.65bn in 1980.

This relatively stable export performance was almost entirely the result of continued growth in the "non-traditional" sector, where receipts from manufactured items such as garments, electrical components, chemicals and furniture were by October last year 10.12 per cent up on the corresponding period in 1980.

Despite the ranking garments took in 1981, hopes for the non-traditional manufactured sector are also strongly pinned on the electronics industry. The National Census and Statistics Office (NCSO) in Manila and the Ministry of Trade and Industry were last month billing electronic components as the biggest export earners of 1981. The NCSO claimed electronics exports worth $608.68m for the first nine months of the year, with the Ministry indicating that earnings for the whole year could reach $864m, up 28.7 per cent on 1980.

Whether an element of wishful thinking has crept into these figures is hard to say, but the Central Bank figures, based on customs receipts for the first 10 months of 1981, show electronic components earnings of only $113.64m, against $113.70m for the 1980 equivalent.

On imports, the disparities persist, but the picture is less confusing. The Central Bank says imports for the first 10 months 1981 totalled $6.05bn, up only 0.68 per cent on the Ministry of Trade's nine-month figure.

Total imports growth, according to the Central Bank, slowed from 26 per cent in 1980 to about 10 per cent last year. Nevertheless, with a weak export performance, a trade deficit of $2.5bn is expected for 1981, some 47 per cent higher than the 1980 deficit.

The trade balance was most seriously damaged by a 38.97 per cent rise in the cost of oil imports and petroleum products in the first ten months of last year. The total oil and petroleum import bill, at $2.4bn, accounted for more than a third of all imports by last October. "Non-electrical machinery" was the country's second biggest import, according to the Central Bank's ten-month breakdown, costing $823.67m, down 13 per cent from the 1980 equivalent.

Faced with a widening trade gap this year — the Government is optimistically projecting export growth at 10 per cent in 1982 against last year's decline, and a repeat of last year's growth in imports of 10 per cent —the Philippines is trying to move quickly to boost exports.

The five-year development plan adopted by the Government last month talks of the necessity "for industry to undergo a major restructuring to serve as the main source of economic growth, employment and foreign exchange." The chief focus of which are the so-called "11 major industrial projects." The projects concentrate on building for export and will cost an estimated $4bn by the time they are all on stream by 1985.

Imports during the plan's span (1983 to 1987) are projected to grow at 12.9 per cent a year, with exports outpacing them, by an average annual growth of 16 per cent.

The final draft of the plan, however, carries a pointed reminder of just how fragile the grand scheme is. Its author has left blank the projected growth of non-traditional exports for the five years. And the figure, when it is eventually published, will probably reflect the same mixture of "guesstimates" evident in other parts of the plan.

Ambitious plan for rural areas

PRESIDENT MARCOS' KKK—or national livelihood—programme is being hailed by the Government as a panacea for the country's poor. But many political critics and opponents see the programme as the best pork barrel yet created by the President for the dispersal of political patronage.

The Kilusang Kabuhayan at Kaunlaran, or movement for national livelihood and development, which was established in August last year, is aimed at two critical problems—persistent and sometimes pernicious rural poverty unalleviated by economic growth as reflected in conventional economic statistics and the wide and widening gap between rich and poor in Philippine society.

Official literature describes as the key concept of the KKK "to spur the economic and social development of the entire country by transforming the country's 42,000 barangays (villages) into self-reliant productive communities through the establishment of various livelihood projects or enterprises to be owned and managed by the community residents themselves."

KKK projects covering livestock, forestry, fisheries, cottage industries and productive use of animal and vegetable wastes are intended to generate employment, improve family incomes, foster entrepreneurial initiative at the village level and encourage energy saving. They are seen as complementing the Government's plans to invest heavily in improved infrastructure across the country and to build up large capital-intensive industries.

In his State of the Nation speech before the National Assembly on January 16 President Marcos reiterated that the KKK was "a programme of critical importance which we cannot afford to slow down." The programme "integrates all our efforts to uplift the individual Filipino through self-reliance and the utilisation of private capital," he said. The Government would pour into it "as much available funds as can be released from all sources."

The KKK, originally set up with a seed fund of P1bn, has been allotted a further P1bn in the budget for 1982 and is expected to get a total of P11.1bn over the next five years. Mr Cesar Virata, the Finance Minister, said last month that by the end of 1981 P494m of the fund had been committed on a total of 1,667 projects.

Critics of the fund are sceptical about its likely effectiveness and concerned over the possibilities of using it for political purposes. This is in part because the KKK is to be co-ordinated by the all-embracing Ministry of Human Settlements, which is headed by the President's wife and, the country's First Lady, Imelda Marcos.

One correspondent recently described the Ministry as "a bottomless pit for spending large sums of money on low-priority, high publicity projects." Critics say the KKK programme not only duplicates activities of other ministries and banks but furnishes the First Lady with an important source of political power through patronage.

One foreign diplomat said: "The KKK is the perfect pork barrel, whether it is used that way or not. It provides Imelda with the means to spread her grass-roots support and to apply political leverage right down to the barrio (village) level."

Political opponents have been quick to point out how valuable the KKK funds will be ahead of Barangay elections to be held in just over two months' time.

Evidence to support the sceptics' claims is almost impossible to find at this early stage. A close examination of KKK projects approved so far in one of the country's 12 KKK administrative regions—Davao in the southern island of Mindanao—provided no backing for the sceptics' fears. Instead, however, it highlighted many of the problems linked with mounting such an ambitious scheme.

Sr Arturo Aportadera, regional action officer for the KKK programme, aims to approve projects in 1982 worth about P200m. But teething problems in the first few months of the programme's life have meant it has been slow to begin processing projects. By the first week of January just 28 projects had been approved, worth P2.2m, with a further 13, worth P7.5m, almost ready.

The poorest areas in his region — Surigao and Davao Oriental — have attracted only a small proportion of the funds so far. "As I expected; it's the more prosperous areas that have the greatest capacity to absorb new funds," Sr Aportadera noted.

Banks have been reluctant to lend to farmers who have no collateral, even though it is exactly these people that the KKK funds are supposed to reach.

There have been clashes with other Ministries, which feel the KKK is usurping their responsibilities. One consequence, Sr Aportadera admitted, was that no cottage industry projects had yet been proposed. "We have been imprisoned by a sectoral bureaucracy. The problem is the KKK is not a sectoral programme, so people feel threatened."

The Ministry also has a critical shortage of technical staff to evaluate or monitor projects and it may take several years to train enough of them.

As a result of these problems early beneficiaries of the programme have tended to be big local companies. Sr Aportadera concedes that these early projects are likely to be a boon to such companies and are unlikely to do more than provide employment for local people. "So what, the big companies are, in the scheme, a long . . . ordinary people gain . . . mind."

Sr Aportadera argues that these problems are all part of the inevitable teething troubles involved in establishing such an ambitious scheme. Like America's President Reagan he is convinced KKK is "a highly imaginative policy." But he accepts the scheme has still to prove itself. "These are early days and people are entitled to their doubts until we prove them otherwise."

David Dodwell

U.S. presence and the long accord

DRIVE ALONG Roxas Boulevard, on Manila's waterfront, on any weekday and on the bay side you will pass some of the monuments to Philippine progress erected by the Government. But the only significant gathering of Filipinos on the Boulevard is outside the U.S. Embassy. This is the visa queue.

The first Filipinos begin to line up outside the gates of the Embassy, America's second biggest foreign mission, before six in the morning. By 10 o'clock their ranks will usually have swollen to 300 or more. The stories they put before the American consulate officials are not new to former colonial powers. There is no work at home; there are relatives in the U.S. to care for them; Philippine universities are not good enough; no job will be too hard. But the post-colonial experience of the Philippines differs markedly from the territories once ruled over by the Europeans.

Where Tanzania, Zambia, India and Mozambique and their former masters have retreated from each other, the cultural, economic and military ties between Manila and Washington have strengthened since the U.S. granted the Philippines independence on July 4, 1946. The American Dream is more vivid than ever. Los Angeles Dodgers baseball caps and pennants line the walls of a mining corporation president's office; posters of Superman and Linda Ronstadt cover holes in the walls of Manila ghetto homes; broadcasters fight a losing battle with the Yankee accent.

In Makati, Manila's business district, the American presence is quantifiable. Despite attempts by the Philippine authorities in the past five years to reduce the islands' dependence on U.S. trade and investment, little has changed.

Between 1970 and the end of 1980 direct U.S. investment in the Philippines totalled $752m, or 49.5 per cent of total foreign investment. While the Japanese took 20.6 per cent of direct investments compared with America's 16 per cent in 1980, by June last year the Americans were once again the leading foreign investors, with 28 per cent of the total of P850.5m against Japan's 6 per cent. Overall U.S. investment in the Philippines is estimated to be about $1.4bn. The biggest private bank is American—Citibank.

But the cultural and even commercial ties between the two countries have never been top priority in Washington. Since U.S. warships first entered Manila Bay on May 1 1898, the military relationship between the U.S. and the Philippines has always been paramount. Their first contacts involved a steamy guerrilla war after the Americans had ended four centuries of Spanish rule and taken the Philippines for themselves. U.S. control over the islands since then has become relatively benign and enlightened.

Today U.S. capacity for rapid military intervention in South-East Asia depends largely on the continued use of its facilities at the Subic Bay deepwater naval base north of Manila and the huge Clark Air Force base in central Luzon.

Opposition

There is, however, wide opposition, of varying intensity, in the Philippines to agreements with the U.S. on military assistance (for the Philippines), use of the bases and mutual defence.

The U.S., sensitive to its military postures in the region after the war in Vietnam, agreed in 1979 to recognise Philippine sovereignty over Subic and Clark. Filipino commanders have also been installed in both bases. Washington appeared to have calculated that the 1979 agreements, while essentially cosmetic, would strengthen the legitimacy of the U.S. military presence in the Philippines.

Former Assistant Secretary of State for East Asia and the Pacific, Mr Richard Holbrook, said in Manila a few weeks before the Carter Administration left office last year that the importance of the bases to the U.S. during the Carter Presidency had been increasing. "These bases are important to the U.S. as our forward positions in the western Pacific," he said.

The agreements expire in 1991. Both sides are now gearing themselves for talks in 1984 which might involve further tinkering with the details. Manila wants to instal customs officials at Clark and Subic and will be looking for "more meaningful" aid under the military assistance agreement. "We need to upgrade the quantity and quality of the equipment," a Philippine Foreign Ministry official said.

U.S. diplomats in Manila expect the Philippines to bargain hard for more sophisticated weapons under the agreements before projecting discussion beyond 1991.

The military implications of President Reagan's election were not lost on Manila. Despite the Carter Administration's successful defusion of tension over control of the bases, the Government of President Ferdinand Marcos maintained a posture of indignation at the Carter human rights crusade and Manila is reported to have come out on to the streets to celebrate the Reagan victory.

Already, one senior Foreign Ministry officer claims, President Reagan has proved as tough as his rhetoric. Precisely how tough remains for the moment a secret, but the officer said there had been an "almost immediate" increase in U.S. military assistance to the Philippines under the Republican President.

Reservations

Despite the enthusiasm, however, the same official echoed reservations about the U.S. that appear to have taken shape fairly recently, as the Philippines has expanded its foreign policies through the non-aligned movement, the Association of South-East Asian Nations (Asean) and the United Nations.

A suspicion has taken root that the U.S. neither understands nor particularly cares about the economic crises facing the Philippines and the rest of the Third World. While the U.S. has palpably acted to restrict concessional aid to the Third World through the World Bank and the International Monetary Fund and has turned up its nose at the North-South dialogue, the Reagan Administration, in Manila's eyes at least, has taken little more action against Moscow over the Polish crisis than President Carter did when the Soviets invaded Afghanistan.

"Americans are too noisy," the official said. "We don't know how far Reagan can go with the Soviets.

"I don't know when the Americans will come of age in international relations," he continued. "You cannot guard against U.S. immaturity. We would like assistance in the development of our economy, an improvement in our terms of trade. But the U.S. doesn't hear when we talk about developing our economy to make us stable."

If these thoughts begin to find expression in foreign policy the 1984 military pact talks are likely to have more than a military price tag hanging over them.

The Filipinos have always had a love-hate relationship with the U.S. Mrs Imelda Marcos, the country's First Lady, neatly reflects the schizophrenia. While nearly 1m Filipino were killed by the Japanese during World War II the U.S., she said, has "abandoned" the Philippines and helped Japan become a world leader. Almost in the same breath, however, she said: "I love America. I only knew one country until I was 16. I knew how to eat apples before bananas."

U.S. diplomats in Manila are conscious of the political leverage they enjoy in the Philippines and will probably make full use of it to prepare themselves for the most fiercely burning element in Philippine domestic politics—the Marcos succession.

Upper-most in the thoughts of the Americans is, probably, a man in self-imposed exile in the U.S., former Senator Benigno Aquino. He faces trial, however, for refusing to return to detention after being allowed to undergo heart surgery in the U.S. in 1980 and many feel he will lose popularity the longer he stays out of the country.

Nevertheless the succession will prove critically important to the U.S. "Marcos will be the last Philippine President to have gone through the world war II experience, the blood compact," a diplomat said. "He's the last of a generation."

Meanwhile President Marcos is likely to travel to the U.S. this year, his first visit since the days of the Johnson Administration. In the medium term the U.S. presence in the Philippines—30,000 private citizens and 34,000 military personnel and their families at Clark and Subic—seem assured. In the words of one East Bloc diplomat "relations between the Philippines and the U.S. must worsen one day. They could hardly get any better."

Peter Bruce

Aim is more positive role within Asean

"THE PHILIPPINES is much more than an honest broker inside Asean. In fact it has a very positive part to play," a senior Philippines Foreign Ministry official, stung by the suggestion that his Government sat on the sidelines of Asean affairs, said recently.

The Philippines' close economic, political and defence links with the U.S., coupled with its geographical remoteness from the conflict in Kampuchea which has for three years been the main preoccupation of the five Asean member states, has often led commentators to ignore the Philippines when considering Asean affairs.

But this may now be a mistake. The Philippine Government is keen to dilute its heavy reliance on the U.S. and is convinced after six years of uncertainty over the level of U.S. commitment to the region that its own economic interests, and the region's security interests, are best served within Asean.

Mr Carlos Romulo, the veteran Philippine Foreign Minister, may temperamentally prefer to maintain a low profile but as present chairman of Asean, which also comprises Thailand, Malaysia, Indonesia and Singapore, has been playing an important peacemaking role at a time of almost unprecedented flux for the group.

When the Foreign Ministers from Asean met at the Thai coastal resort of Pattaya in December last year they were closer to an open rift than at any time in the past three years.

The dispute was over a Singaporean suggestion of an international appeal for arms for the "United Front" coalition comprising Son Sann, Prince Norodom Sihanouk and the Khmer Rouge which Asean is trying to bolster as a viable alternative to the Vietnamese-backed Heng Samrin Government in Kampuchea.

Shelved

While Thailand and Malaysia backed Singapore's proposal, Indonesia was strongly opposed—and unhappy because it felt it had not been consulted before the proposal was unveiled. If the Philippines had sided with Singapore then Indonesia, the giant of the group, would have been forced to capitulate. Instead, however, the Philippines counselled caution, reminded members of the overriding need for unity and sided with Indonesia. The suggestion was shelved.

The disagreement in Pattaya perhaps marked a watershed in Asean's short history. In the words of one senior Philippines Foreign Ministry official: "For three years the Vietnamese occupation of Kampuchea has helped to unify Asean and has accelerated its growth as a mature political grouping. But now, for the first time, Kampuchea appears to be emerging as a divisive influence."

The sense of momentum felt in the immediate wake of the Vietnamese occupation in January 1979, and following the Vietnamese incursion into Thailand in June 1980, has now been lost. It is proving difficult to sustain world interest in the conflict, difficult to allow this single issue to dominate the diplomatic activity of the regional governments for a fourth successive year, and difficult to pinpoint any tangible progress towards Vietnamese withdrawal or establishment of an independent government in Kampuchea.

"We wouldn't close our minds to a legally cosmetic solution," said one Foreign Ministry official. "This [Kampuchea] problem is one that does not lend itself to an immediate solution. Perhaps now we should shift our concentration to make sure that we in Asean do not become vulnerable to military threat or intermediation."

The present consensus seems to be that Asean must accept the Chinese view that a long slow war of attrition is inevitable if Vietnam is ever to be persuaded to compromise. But members feel a policy of "bleeding Vietnam white" must stop short of pushing it further into the Soviet camp.

"It is important to keep channels of communication with Vietnam open," one Philippine foreign policy spokesman said. "If there is a limited chance of getting the Vietnamese to change their mind, even if it is a 1 per cent chance, then we should take it."

The implications of such a view are clear and are the basis for present tensions within Asean. The need to keep doors open pre-empts any moves against Vietnam which might be seen as aggressive, reduces Asean's diplomatic leverage on Vietnam and offers Vietnam's talented diplomats an opportunity to play cat and mouse around the "open door."

For all the extra attention now being given to Asean the U.S. still maintains a very special place in Philippine foreign policy affairs. The agreements on military bases, military assistance and mutual defence put the Philippines firmly in the shadow of the U.S. Pacific defence umbrella.

Relations have been greatly improved since President Reagan came to power. His predecessor President Carter had come to be disliked for his preoccupation with human rights—an issue which often prompted him to cross swords with the authoritarian martial law which then prevailed in the Philippines. Filipinos also distrusted the Carter Administration because they were never able to gauge the strength of its commitment to the Philippines in particular and South East Asia in general.

With President Reagan things seem to be different, though the way in which the recent co-operation agreements between the U.S. and China were publicised created considerable anxiety in Manila and some anger among allies in Asean.

"The Philippines realises the value of co-operation between the U.S. and China but we wish there was more substance than noise," said one observer. "Harm has been done in some Asean countries and it has made them less objective and balanced on foreign policy matters in recent months."

Irritant

Among the country's foremost recent foreign policy concerns has been the dispute with Malaysia over the Philippines' claim on Sabah. In 1977, President Marcos verbally committed his country to withdrawing the claim but the absence of subsequent progress has been an irritant in bilaterial relations with Malaysia. The problem has been aggravated by signs that anti-Marcos Moslem guerrillas are currently using Sabah for training and for safe refuge between engagements with the Philippine armed forces.

The issue has proven so sensitive that all Philippine spokesman—up to and including Foreign Minister Carlos Romulo—insist they cannot reveal what is happening and that the matter "is being dealt with at the highest level."

At "the highest level" President Marcos revealed at the end of January that he has an agreement with Malaysia and that the two countries are "in a period of working out various implementing measures."

"We have an agreement to implement or understanding that the claim should be formally withdrawn under certain conditions, the President said. "This includes assurances that there will be no threat to the Philippines, or to Sabah. We have given mutual guarantees."

A further area of foreign policy concern to emerge in recent years has been the need to bolster links with the Moslem world. This has been essential not simply because of the Philippines' critical dependence on imported oil or because of the 260,000 Filipino guest workers now in the Middle East but because of the Moslem separatist war being fought in the country's southern-most island of Mindanao. Carefully nurtured links with moderate Islamic states like Saudi Arabia and Kuwait have helped to reduce the appeal of the Moslem separatists, who now rely more on the radical members of the Islamic world.

David Dodwell

Firm government handling of serious upsets in the financial sector in 1981 has succeeded in bolstering foreign confidence, and in laying the foundation for sounder growth.

Banking reforms open way to more stable capital market

BANKERS IN Manila talk about 1981 in much the same tone as the British who were there, recall Dunkirk. The year began with one of the most competitive financial systems in the east intact, its 3,000 institutional participants gearing themselves for another record 12 months in money market turnover. Nine days after new year, however, Mr Dewey Dee, a Chinese textile tycoon, fled the country, leaving behind debts worth about $80m. The market turned out to be a fragile creature.

The Dee default was big enough to throw the system into chaos. After the ensuing run on the market, corporate collapses and government investigations some 370 institutions were fined $30,779 pesos for various violations of money market rules and Bancom, one of the country's foremost financial conglomerates, was systematically dismembered. Manila's international business flagship, the Construction and Development Corporation of the Philippines topped a list of industrial heavyweights stung by government rescue operations. Not even the market watchdog, the Securities and Exchange Commission, escaped without mud on its face.

Mr Dee's timing was perfect. The financial system, sophisticated and competitive to a degree that belied its size, had proved stubbornly resistant to attempts to coax it out of a preoccupation with short-term lending in to the longer-term capital formation thought necessary to serve the country's development needs. The run on the markets last year presented an ideal opportunity to step in with new reforms.

According to Mr Jaime Laya, who became central bank governor days after Mr Dee fled, plans to generate a domestic capital market were afoot months before Mr Dee's flight. In 1979 the Government commissioned a World Bank report on the problem, which concluded, in part: "The [financial] system does have its shortcomings. Perhaps the most significant drawback is the relatively undeveloped state of the long-term capital market. . . . The commercial banks have overwhelmingly been involved in short-term credit, and some of the institutions set up to specialise in long-term credit, for example, investment houses (similar to the UK's merchant banks), have succumbed to the temptation of short-term rates. . . ."

Based on this, and subsequent analyses, the central bank is now trying to establish institutions capable of resisting the "temptations" of the money market. Their hopes have focused on a new type of bank for the Philippines, a "unibank," or universal bank, which absorbs most, if not all, of the functions now being performed by a plethora of specialised Government banks, commercial banks, quasi banks (investment houses) and finance companies.

The system that the authorities are now trying to remould has grown fitfully since World War Two to meet specific financial requirements as they arose. A year ago only the state-owned commercial banks were allowed to take up equity positions in industry—private commercial banks were limited to 25 per cent stakes in "associated industries" and could not underwrite commercial paper—investment houses, designed to fulfil long-term financing needs, underwrote securities and were permitted to "promote, sponsor, or otherwise assist" commerce and industry but took no deposits—and finance companies were limited to discounting and issuing paper, and to leasing.

The money market began its spectacular growth in the mid-1970s and has always revolved chiefly around promissory notes. In June 1980, for instance, business in the notes accounted for about 44 per cent of total transactions in the market, by June last year that had grown close to 60 per cent.

While there have been no legislative barriers to long-term lending, most commercial banks in the Philippines have found short-term lending more attractive. The central bank had, in certain circumstances, been prepared to discount short-term paper but would not touch anything maturing over 12 months.

Instead, a short-term roll-over tradition has developed, with the banks and investment houses profiting from recurrent charges. The World Bank estimated in 1979 that at least 50 per cent of bank loans booked as short term were likely to be rolled over for, at least a year. The fee income also helped chip away at the marginal differentials between long- and short-term rates.

Now, advocates of unibanking argue that the division of the system into specialised parts squanders chances to exploit economies of scale and discourages long-term risk taking. Unibanks, they say, could cut costs, spread their risks and stabilise deposits to an extent where borrowing short and lending long could be comfortably indulged.

Governor Laya's unibank carrots to the commercial banks have been considerable. The new banks will be allowed greater freedom to take up equity, long-term interest rates have been allowed to float and unibanks will probably receive preference at the central bank rediscount window. Tax incentives may also be offered.

Pressure on the central bank to generate a domestic long-term market is strong and urgent, chiefly because the Government is now committed to an ambitious five-year development plan, *much of which concentrates on* encouraging local medium-sized industries and offers few attractions for foreign lenders.

But Manila is dotted with sceptics who believe that a number of banks would find it hard to meet unibank capitalisation requirements without losing their identity in mergers (which the central bank would applaud), and that specialisation has strong historical roots.

One critic of Governor Laya's reforms of the financial system is Mr Sixto Roxas, whose Bancom empire collapsed after the disappearance of Mr Dee. Mr Roxas generally held to be the architect of the Philippines money market, argues that the absence of long-term finance in the country reflects badly on central bank policy and not on the structure of the system.

Drawing on the World Bank report, Mr Roxas said in a paper published last month that it was "certain that (the) reform in structure without a change in the financial climate (ie central bank financial and monetary policy) will not produce the results that are expected of the system."

The report had argued that discretionary policy measures carried out by the central bank in the years preceeding the 1981 crisis, during which Mr Laya spent five years as deputy governor, generated unease on the market and discouraged banks from lending long. The report cited the "off-again, on-again" availability of central bank credit to commercial banks, its failure to use the existing rediscount window as stabilising influence, and its constant sales of its own securities during periods of high and low liquidity.

Mr Roxas may be too hasty in passing judgment on the new system. To an extent, the *central bank appears to* have taken the World Bank's criticisms on board. Sales of Central bank certificates are being phased out in favour of Treasury instruments. But "priority" industries still have preferential access to the central bank's rediscount window, a preference which may contradict the window's role as a stabilising mechanism and may inhibit the banks, "universal," or otherwise, which might want to use it.

Further attempts to lure banks away from the short-term market may also be frustrated by general uncertainty about precisely what the new regulations and controls are. Policy is being thought out on the run, mulled in public, and reformulated in view of the public reaction. This could go on *beyond March next year* when the new money market and banking rules come into force.

For example, commercial bank reserve requirements (currently 20 per cent) are falling, perhaps to 16 per cent, on an apparently arbitrary timetable. Under commercial bank pressure the central bank may seek legislation to *allow banks* to use their agricultural credit reserves for housing; reserve differentials may be introduced to match deposit maturities—a standby facility whereby corporate paper issues will have to get bank backing, was expected last August to be 35 per cent, and now stands at 20 per cent (the banks say they can't meet that yet either). While long-term interest rates have been cautiously floated, short-term rates may now have to be boosted to accommodate a system which will peg interest rates to maturities.

While the commercial banks interested in expanding may come to view the investment houses as attractive partners for their expertise and capital, finance company executives are increasingly concerned that they force regulations designed to squeeze them out of the money market (where they accounted for nearly 5 per cent of volume by last June) or even out of business. "Dewey Dee wasn't even our fault," complains one, noting that the missing industrialist (who is thought to have fled to Haiti) was exposed chiefly to the investment houses.

The finance companies are kicking hard at proposed regulations that would force them, by March next year, to limit debt-equity ratios to 3:1 compared with current ranges of up to 10:1 among the bigger companies—to comply with the 20 per cent credit standby facility—and to prove they had, for the past three years, held at least 150 per cent interest cover (in pre-tax profits) before *issuing* their own commercial paper. In addition, the finance companies are limited to borrowing from no more than 19 lenders.

One way out of the regulatory web for the finance companies would be to apply successfully for a quasi banking licence (all the investment houses are "quasi banks") which would free them from borrowing restrictions. But the licences are issued by the central bank and while Governor Laya appears to have found a use for the quasi banks—they will probably be licensed as money market agents, who, under the new regulations, will mediate in all money market transactions—he is not likely to be liberal about allocating such licences.

"Everybody is still convinced that Laya wants to do away with finance companies," one executive said. "It seemed logical," he said, that the central bank governor would want to transfer, by default, the profitable, though costly, leasing market to the unibanks as an added attraction.

Like Mr Roxas, the finance company executives believe the authorities, rather than the industry, are to blame for the malpractices uncovered in the wake of the Dewey Dee crisis. With more than 300 money market abuses last year, they may have a point. The SEC is now under new management and the finance companies are hoping that the 15-month breathing space they have been given may prove sufficient for both sides to prove the old regulations satisfactory.

So far, Governor Jaime Laya remains one of the few men apparently sanguine about the future. As governor, he has yet to put a foot badly wrong and emerged from 1981 with one of the best official reputations in the Philippines. Looking back on his first few months in office last year, he noted that "the crisis was like a flash flood, originating in rainfall over a large watershed, accumulating in 100 little streams, gathering momentum and finally exploding in a burst inundating the lowlands." To extend, if possible, the metaphor, Mr Laya may have to wait some time for the floodwaters to drain away.

Peter Bruce

Lively inflow of foreign investment

WITHIN THE past seven months, two of the three American tyre manufacturers operating in the Philippines have withdrawn some of their equity investments in the country. Last year, Goodrich sold all its 54 per cent holding in its Philippine unit to a newly formed subsidiary of Sime Darby of Malaysia. Then last month Firestone gave up its majority position in Firestone Philippines to retain only 25 per cent of the company.

Fortunately for the Philippines no cries of "poor investment climate" were heard from the American firms. They were merely in step with their parent companies' moves towards retrenchment.

Reports of investment pull-outs can be shattering for a government needing a large infusion of foreign capital for its ambitious energy development and industrialisation programmes. Such reports are noted by international risk assessors and can push the country further up the list of high-risk investment areas.

The country's five-year energy programme (1981-86) requires a total investment of U.S. $5.4bn while its 11 major industrial projects will need another $4bn for a combined annual investment of almost $2bn. *With domestic savings* averaging only 27 per cent of gross national product, domestically available funding is hardly adequate to meet ordinary capital needs. These special projects must then attract additional foreign investment to make up for the shortfall.

The Philippines is aiming at greater foreign equity rather than direct loans or credit because the country's debt burden is already high and dangerously close to a ceiling imposed by the International Monetary Fund (IMF). The country is drawing on a $533m standby credit from the IMF's supplementary financing facility, the Fund's concessional window for members with chronic payment deficits.

Ceiling

The facility imposes certain conditions including a ceiling on loans with maturities of 1 to 12 years. The limit was set at $1.4bn last year and $1.2bn in 1980. This limited amount is distributed among private commercial projects and the government's numerous development programmes. An alternative source for the energy and industrial projects is multilateral funding but this type of financing gives priority to agriculture and rural infrastructure projects.

Foreign equity must then prop these projects up. A cornucopia of measures and incentives have been laid out by the Government to attract investors—including unlimited ownership of "pioneering" projects, repatriation of a substantial proportion of profits, tax exemptions and tax holidays.

For the 11 major industrial projects, partnership with the National Development Corporation (NDC), the Ministry of Industry's investment arm, is considered a plum incentive. Since the Industry Ministry itself packaged the projects, there is an implicit assurance that it will vigorously work for the success of the partnership.

Of the 11 projects, five have firmed-up joint ventures with foreign investors:

- Copper smelter: 32 per cent equity of the $350m plant belongs to a consortium led by Marubeni, Sumitomo and Citoh, while 5 per cent is held by International Finance Corp, the World Bank affiliate. NDC and other local mining firms own the majority.
- Phosphatic fertiliser plant: 40 per cent of the $400m plant was taken by the Government of Nauru Republic, 60 per cent by NDC.
- Cement industry expansion: several cement plants will be rehabilitated and expanded into 1m-ton capacity and in the first plant to expand, Philipp Brothers of the U.S. put in 30 per cent of the project equity.
- Diesel engine plants: Isuzu of Japan fully own the country's first $21m engine plant to produce low-range engines of 50-150 hp. MAN of West Germany was to own fully a $72m plant for 90-320-hp engines but the company has signified that it is re-thinking the project due to financial constraints. The Industry Ministry is considering other proponents, including Perkins of the UK, and Cummins of the U.S.
- Coconut chemical processing plant: Lurgi of West Germany is contributing 30 per cent of the $126m plant.

Capital for these projects was committed during the last two years, resulting in a lively inflow of foreign investments. The Board of Investments (BOI) estimates that at least 1.9bn pesos ($238m) in new foreign investments were committed last year, up 7 per cent from 1980.

The United States remained at the top slot, putting in $64.5m, or 27 per cent, of total foreign equity approved last year. The Japanese, who had always been a close second, *slid* to the fifth place, investing $24.6m, or 10 per cent.

Remarkably, equity investment from countries which had virtually no interest in the Philippines during the 1970s grew considerably. The Nauru Government's equity infusion of $40m in the Philippine phosphatic fertiliser plant made that country the second ranking foreign investor in the country.

Injection

The UK, which had put in an average of $6m in 1970-75 contributed $37m last year. The fourth largest investors were the Dutch, whose investments reached $31m mainly due to additional capital injection made by Shell (Billiton).

Foreign investors are well advised to know that entry into the Philippines is not always easy. Mr Roberto Ongpin, the Industry Minister, has been keen to prevent multinationals from throwing their weight about, careful to avoid ambiguities in partnership agreements and has aimed to ensure foreign and domestic partners share risks equally.

The protracted negotiations with Reynolds International of the U.S., which had previously committed 50 per cent equity in the country's $40m aluminium smelter plant, is a good case in point. Mr Ongpin preferred to let the partnership collapse rather than accept the U.S. company's power pricing demands. The Ministry of Industry is now negotiating with other companies including Mitsubishi Light Metals of Japan.

Mr Ongpin also criticises foreign suppliers of plant and equipment. He claims that through vague contract terms, foreigners have, on several occasions, provided ageing equipment which have parts that are not easily available or serviceable.

The French have borne the brunt of this criticism. Spie Batignolles, Société D'Etudes Techniques d'Enterprise (SODETEC), and Klockner France were singled out as having contributed to some delay in important development projects because of delayed shipments of contracted equipment or because of inefficient plants.

As a result the Government has introduced standard contract provisions to govern all deals worth over $5m. Under past arrangements, local firms and foreign suppliers drew up the contract themselves.

Since Government-imposed standard contracts were generally viewed as restrictive, the authorities have been quick *to follow these up with other* incentives. In this case, the Board of Investments has indicated that it can allow some flexibility and special provisions may be added to standard contracts whenever needed.

The Government is compelled to maintain a delicate balance between carrot and stick to keep foreign supplies and *investors reasonably happy*, particularly at a time when there exists a yawning gap between available domestic financing and vital investment programmes.

Emilia Tagaza

International loan a big coup

IN WHAT is now considered a financial coup the Philippine central bank in December managed to line up 15 international banks for a $325m loan on terms that were previously thought to be unobtainable.

When the central bank first broached the idea of the jumbo loan (originally $300m), late last year, the initial reaction, especially in the Hong Kong syndications market, was that of scepticism. Many bankers said that the Philippines' frail economy did not warrant such favourable terms as Central Bank Governor Jaime Laya was negotiating—maturity of ten years and interest rate of ⅝ per cent above the London inter-bank borrowing rate (Libor) for the first three years, rising to ¾ per cent thereafter.

Two weeks later, however 15 lead managers committed themselves to raise more than the bank originally called for and at the terms demanded by Mr Laya.

Central bank officials like to *think of the cheaper loan as* an indication of renewed confidence in the country. Mr Laya said: "The eagerness of foreign banks to lend more than we want reflects the country's high credit-worthiness among the foreign financial community."

Indeed at first glance the latest facility seems to cap a trend of improving terms on Philippine borrowings. The *last Eurocredit obtained* by the central bank was a $100m 10-year facility arranged by Bankers Trust of New York and Chartered Bank in the middle of last year. At that time it carried the most favourable terms for the bank's consolidated borrowing programme and for the country itself—a spread of ¾ per cent above Libor. Previous loans had been limited to an eight-year maturity, with spreads of ⅞ per cent and over.

The increasingly favourable terms of the Philippines' last two major loans, however, do not convincingly imply confidence in its economic performance. Many of the participants in the latest syndication admit that they are considerably concerned about the declining rate of real growth. The official figure *for* GDP growth in 1981 is 5 per cent but a report from Chemical Bank, one of the participants, said that the economy grew by only 4.5 per cent. Growth in 1980 was registered at 4.7 per cent, also down from the previous year's 5.8 per cent.

Apprehension

There is also great apprehension over the performance of the country's exports, which until 1980 kept the economy buoyed up, and over the continued rapid growth of imports.

The improved credit terms, particularly those of the central bank loan, are attributed, to a great extent, to the high liquidity in the Asian banking market. Last year big private *Philippine companies stayed out* of the market because of recessionary pressures on their business activities. Continued depression means that these companies are not expected to return to the market this year. This probably leaves the central bank as the only Philippine borrower. The international banks with substantial surplus funds, could therefore not afford to pass up the latest loan request.

The Central Bank's new policy of trimming back its international reserves and reducing the number of its depositories from more than 200 foreign banks to just over 100, persuaded some of the banks that participation in the syndication may give them a better chance of being maintained as depositories (or becoming one if they do not as yet serve as depositories).

But there is no doubt that apart from the Asian market's liquidity and the business prospects from the central bank, bankers have also looked into the Philippines' impressive debt management methods. Despite the lacklustre results of the country's well-defined and strictly enforced *policies* to reduce chronic deficits—which include programmes to reduce dependence on imported oil and to promote manufactured exports—debt servicing has stayed within the 20 per cent self-imposed legal limit.

Between 1978 and 1980 the debt service ratio has been 18 per cent on the average. However, in 1981 the ratio rose to 19.2 per cent, and after the substantial drop in exports in 1981, 1982's ratio may come precariously close the 20 per cent limit.

The country's foremost debt managers, Mr Laya and Prime Minister Cesar Virata, have both indicated that the rate of foreign borrowings for 1982 has to be cut to keep the repayment burden at a manageable level. Mr Virata has said that government banks will be more selective in giving guarantees to private companies borrowing from abroad so as to limit the number of foreign currency borrowers.

New commercial borrowings this year will be maintained at 1981's level of $1.2bn. Government institutions and companies may take up the bulk of this amount — the national power corporation for its nuclear plant project and various government concerns involved in the implementation of the 11 major industrial projects which were packaged to shift the country's industrial structure from import substitution to basic large-scale industries.

Additionally, official development financing is projected to reach $1.9bn in 1982.

But while government technocrats want to see a cut in the country's dependence on foreign borrowings, domestic financial resources are inadequate to meet investment demands. Domestic savings are only 27 per cent of GNP. While new measures to increase savings still await results, the investment gap will have to be filled from foreign sources. Until savings actually increase substantially there will be no let-up in the Philippines' demand for foreign loans.

Emilia Tagaza

Industry to be shorn of its protectionist mantle

INDUSTRY, PARTICULARLY the manufacturing sector, will be shaken to its very foundation during this decade through what the government calls a "structural adjustment" programme. New policies and strategies are designed to effect a shift from an industrial structure that is essentially import-substituting to one composed of domestically efficient, export-competitive industries. The shift is hoped to invigorate industry which advanced at a snail's pace in the seventies.

A crawling manufacturing sector is the outcome of a protective system which strongly favoured the domestic production of light consumer goods. Protective policies shielded existing industries from both foreign and local competition resulting in quick profits. But companies were generally uninterested in re-investing profits for additional, or more efficient, machinery.

When a World Bank mission in 1980 looked into the Philippines' manufacturing facilities, they were appalled at the run-down condition of plant equipment, especially in textile and cement plants. The bank recommended, and is now funding, the rehabilitation of dilapidated plants in selected industries as a measure to increase the manufacturing sector's cost-efficiency.

During the 1978-80 period, the industrial sector registered an average annual growth of 5.9 per cent, with the manufacturing sector growing at about the same rate. Considering that manufacturing, with more than 25 per cent, is the single largest contributor to the Philippines' gross domestic product, such a growth rate is disheartening.

The CDCP copper mining complex on the island of Negros

Last year manufacturing performed even less well, with growth at about 5.7 per cent. Domestic and export markets contracted because of recessionary pressures, while production costs were inflated partly because of high interest rates, costlier raw materials and fuel, and higher labour cost.

The Philippines' industrial restructuring involves the dismantling of protective barriers. Domestic manufacturing companies have enjoyed an artificial market advantage because of stiff import tariffs. Until 1980, nominal tariff rates ranged from 50 to 70 per cent, but a tariff reduction scheme introduced last year will gradually scale this down to 10 to 50 per cent by 1985. Liberalisation plans will cover imports of both non-essential and regulated commodities.

Not only were industries insulated from import competition, most of them were also free from healthy rivalry from local companies. The Ministry of Industry has a list of "overcrowded" industries which block new investments where markets have already reached maximum capacities.

Government thinking was that industrial categories offering quick returns and little risk are unnecessarily swamped by investors who eventually find themselves fighting over a shrinking market. But it was found that many companies belonging to the overcrowded industries have been short-changing the market in terms of price and quality of goods. Last year, the Industry Ministry snipped the list from almost 50 to only four, unleashing tight competition among local companies.

Replaced

Industrial spoon-feeding is now being replaced by liberal policies that herald an industrial development determined by free market forces. The tariff reduction scheme and the gradual phase-out of the "overcrowded" industry list serve as the jumping off points for the structural adjustment programme by means of which the Government expects to push industry forward to a growth rate of 6.6 per cent this year.

Through a combination of fiscal incentives and selective lending, the Government is to influence the direction of industrial development. Production for export—both by basic, capital-intensive and small-and-medium-scale, labour-intensive industries—are going to be the linch-pin of industrialisation efforts. Manufactured exports in fact, have been given full support in the last two years after the Government realised that earnings for traditional commodity exports are in long-term decline.

A substantial portion of domestic and foreign credits will be made available to export-oriented concerns. The bulk of the World Bank's first structural loan of $300m obtained last year is being channelled to qualified export manufacturers. Meanwhile, domestic credit policy will be selective in favour of exporters.

For cottage, small- and medium-scale industries, the government is trying to lure private financial institutions to establish "venture capital corporations" to provide equity capital.

At the same time, the much-publicised 11 major industrial projects are expected to link with existing labour-intensive industries. Industry Minister Roberto Ongpin, who packaged the 11 projects, said that heavy industries will provide a balance to the small-scale industries whose activities rely on imports of basic materials. Mr Ongpin said that if the Philippines disregards the development of heavy industries, it "would be merely a country of labour sweat shops processing through its cheap labour the produce of industrialised countries around it."

By all measures, the 11 projects have high price tags and will depend greatly on foreign equity or loans. The original aggregate cost of the projects was $6bn, but since some of the projects have been modified to use less expensive technologies, total cost now stands at $4bn.

Government technocrats still disagree over the value of the 11 major projects. When they were first packaged two years ago, Mr Virata was anxious in case the massive foreign capital requirements would exacerbate the country's balance of payments deficit.

Unchanged

But Mr Ongpin claims 75 per cent of financing will come from foreign equity and suppliers' credits and will have little effect on government payments and expenditures. He says that the projects will not only pay for themselves but will also earn once in operation. He estimates foreign exchange savings of up to $8bn over the coming decade.

Of the 11 projects, seven are moving forward unchanged. These are the copper smelter, phosphatic fertiliser plant heavy engineering industry, diesel engine manufacturing, cement industry expansion, coconut industry rationalisation and an integrated pulp and paper mill.

Two of the projects have seen major changes — the integrated steel mill project and the Alcogas programme. The steel plant was originally planned by Mr Ongpin as a blast furnace which would have cost about $2bn at current prices. But costly imported raw materials have made a blast furnace uneconomic. The Government has shifted to the solid reduction process which will use locally-produced coal and iron ore.

The programme for Alcogas, a mixture of 15 per cent alcohol and 85 per cent gasoline, designed to displace some of the country's gasoline consumption, has slowed down a great deal because of the current gasoline surplus in the country.

The two final projects, the aluminum smelter and the petrochemical complex are sailing through rough waters although negotiations are going on with prospective foreign partners and suppliers. Discussions with Reynolds International of the U.S. on the aluminium smelter have been stalled in a disagreement over power pricing.

For the petrochemical complex, Mr Ongpin is negotiating with prospective suppliers of feedstocks. The current global glut in petrochemicals make it vital for the Philippines to obtain a cheap and constant supply of feedstocks in order to be world competitive.

After two years of debate on whether or not to pursue all the 11 projects, President Ferdinand Marcos last month put his foot down saying that all the projects will be implemented. He said that they were "critical to the overall development strategy, for with them we shall build the foundation and infrastructure for a balanced industrial growth.

"Our development strategy is tilted to the side of agriculture and to the small—and medium—industries. Sooner or later we must face up to the challenge of industrialisation or forever remain at the peripheries of growth and modernisation."

Emilia Tagaza

Mining leaders pessimistic

MR HENRY BRIMO, chairman of the Philippines Chamber of Mines and head of the country's most consistently profitable copper mining corporation, prefers not to read newspaper reports about the "disastrous" year the mining industry had in 1981. He already knows it, and is in the vanguard of pessimists about the industry's future.

While the Philippines minerals output is small by some world standards, the mining industry, led by copper, has traditionally been the country's second biggest export earner, a position sometimes challenged by sugar. Last year, however, copper export earnings slipped to fifth, with the value of concentrates slipping 21.9 per cent from 1980 sales worth $545m and gold exports usually about fifth in the rankings, fell by 5.6 per cent.

The Philippines' produce about 7 per cent of the world's copper and while resources are limited, mining is relatively competitive. More than half the mining houses appear to have been enticed into the industry by the copper boom of the sixties. These companies, mostly highly geared, are dangerously vulnerable now to high interest rates and poor markets.

In all, last year, the value of Philippine mineral production fell 12.77 per cent. Three mines closed to try and stave off further losses and others had begun to chip away at production targets.

"We would be in one hell of a mess if interest rates go up," Mr Brimo said after a New Year warning from Mr Henry Kaufmann, Salomon Brothers economist. "I don't think this industry is going to get out of the doldrums for another year or so anyway."

Jeopardy

His immediate pessimism, although not as forcefully expressed, is shared by most of the industry. Mr Jaime Ongpin, head of Benguet Corporation, the country's foremost primary gold producer, said that of the 17 mining projects begun in the past 12 years, only three have been profitable. Three are still not in production and the rest have been disasters. He estimated in December that some $2.2bn, close to 80 per cent of total investment in the industry by 1980, was in jeopardy if threatened companies collapsed.

Mr Ongpin expects only three mining houses to show profits this year (there are some 30 on the Chamber of Mines' lists). Two, Philex and Lepanto, are copper producers whose gold by-product will probably keep their heads above water. The third, Benguet itself, is likewise relying on secondary gold at its new Dizon copper project, about 180 km north of Manila.

Mining bosses face these difficulties with a mixture of anger and resignation. As marginal producers in global terms, they know they have little weight to throw around the market, but it clearly irks a number of them that one major and locally controllable cost element — taxation — has been allowed to rise. The Government has been accused by leaders in the industry of being blinded by occasional market peaks and of displaying little overall interest in its difficulties.

Some mining executives believe that may now be changing but last year the Government, probably impressed by the price of gold in 1980, effectively doubled royalty payments on output to five per cent and then only after being talked out of a rise to 10 per cent. Mr Brimo wants the industry to be treated as a special case. "Why drive us to bankruptcy by treating us like any other industry?"

He is not likely to get his way, but the Government has established a 200m pesos "copper stabilisation fund" to help distressed producers. In addition, a number of new mines are still taking advantage of tax concessions granted them for the first five years of production. The government is also understood to be considering raising the rediscount limit on projected copper exports from 80 per cent to 100 per cent.

Some mining executives and businessmen are sceptical, however, about the government's insistence that the fund will not be used to rescue lost causes and will concentrate only on companies judged to be inherently sound and in only temporary difficulty. The sceptics point out that most of the projects begun in the last decade were given the go-ahead by President Ferdinand Marcos himself.

A number of industry leaders, including Mr Brimo, Mr Ongpin and Mr Virgilio Jordana, who heads the mining arm of the troubled giant Construction and Development Corporation of the Philippines (CDCP), advise losing marginal mines to close and ride out the recession. Mr Ongpin expects about six closures this year but other mining executives point out that some of the highly geared projects are caught between mounting losses if they stay open and near impossible debt servicing problems if they close.

Those companies who believe that they have the strength to see the recession through have gone on the offensive, boosting production and mill capacity and cutting costs whenever possible. Mr Brimo's Philex Corporation last August raised authorised capital from 300m pesos to 550m pesos and last month bought a controlling share in the local Firestone company for 80m pesos. Marinduque, the country's fourth biggest copper producer, managed to secure $30m overseas (guaranteed by one of the state banks) after reporting record losses in 1980. CDCP recently raised $6.5m from Marubeni of Japan.

Meanwhile, the industry has watched the sharp decline in the price of gold with something close to disbelief. Early in January one mining house chief earmarked $450 an ounce as an average "break even" point for both primary and secondary producers. Any lower, he said, and not even gold was going to keep sections of the industry buoyant this year. Only a few days later gold fell below $390, and while the price has rallied since, the "break-even" point is still dauntingly distant.

Peter Bruce

Slow progress in cutting oil bill

AFTER A SERIES of disappointing results from some of the country's energy development projects, planners concerned with Philippine energy realised that replacing costly imported oil with indigenous power sources could not be done as easily and quickly as they originally believed.

During the past three years their major strategy to reduce imports was to accelerate the exploration and production of non-oil energy sources, notably geothermal and hydroelectric energy, coal and non-conventional energy forms. But there have been some frustrating problems in development activities, retarding the take-off of many power projects that should have displaced the use of imported oil.

Because of these postponements, the Ministry of Energy has again revised the national energy programme to account for the fact that imported oil will still contribute the largest share in the mix of the country's power grid even after 1985.

The old programme projected that by 1985, domestic oil, coal, hydroelectric and geothermal energy would have reduced imported oil's share in the energy mix to 41 per cent. But the revised programme indicates that imported crude would still supply the biggest portion. Of the national energy source mix of 117m barrels-of-oil-equivalent in 1985, the revised programme projects that 51 per cent would come from imported oil. Hydro-electric and geothermal energy are expected to contribute 13 per cent and 12 per cent respectively. Coal is hoped to supply 17.6 per cent of the mix.

Nevertheless, the overriding concern of old and new energy programmes is the reduction of the oil bill through greater use of non-oil energy sources. Until 1973, oil had never accounted for more than 13 per cent of the total import bill. But last year, the Government paid US$2.6bn for 76m barrels of imported crude, accounting for almost 26 per cent of the total import bill.

As early as 1979, there were signs that imported oil displacement would not be as rapid as planned. Hopes on domestic oil production were dashed by the drastic decline in output of the Nido oilfield, the country's first commercial complex. So far, discoveries in the Philippines are considered small; reservoirs with an average of 10m barrels each, indicating that reefal structures host oil in scattered instead of concentrated pools.

NATIONAL ENERGY USE
(m barrels oil equivalent)

	1981 actual consumption	Per cent	Targets for 1985: Old 5-yr. plan	Per cent	Revised 5-yr. plan	Per cent
Imported oil	76.8	84.4	55.2	41.3	59.7	51.3
Domestic oil	1.5	1.7	18.3	13.7	1.5	1.3
Coal	1.0	1.1	17.9	13.4	20.6	17.6
Geothermal	4.7	5.2	16.3	12.2	14.0	12.0
Hydro-electric	6.5	7.2	17.1	12.8	15.3	13.1
Non-conventional	0.4	0.4	6.1	4.5	2.7	2.3
Nuclear	—	—	2.8	2.1	2.8	2.4
Total	90.9		133.7		116.6	

Source: Ministry of Energy.

Geothermal energy, which promises to be a major replacement for oil-based electricity, has also contributed its own share of the headache. The bigger steamfields have been found in the Visayas region in central Philippines where steam availability is far in excess of the demand. The energy ministry and the state-owned National Power Corporation (NPC) have planned to transmit this excess geothermal power to the northern region of Luzon, the country's load centre. The scheme was to use submarine cables but this has proved to be expensive and economically unviable.

Expectations

There were also lofty expectations on non-conventional energy: biogas, dendrothermal energy and alcogas (a mixture of 15 per cent alcohol and 85 per cent gasoline intended to displace 15 per cent of the country's gasoline consumption). But since many vehicle owners have converted their engines to diesel, there is now an oversupply of gasoline.

Efforts to develop local energy sources have not been handsomely rewarded. Indigenous energy, including domestic oil, made little dent in the share of imported oil in the country's total energy consumption. Imported oil accounted for almost 85 per cent of energy consumption last year, compared with the Ministry of Energy's target of only 77 per cent. What happened was that total oil consumption itself dropped last year to 73m barrels from 1980's 78m barrels, but even here, the decline is oil usage was due as much to the slowdown in the activities of energy-intensive industries as to oil displacement through conservation efforts.

While many oil displacement projects wait to be put in place, the Government's strategy now is to scale down energy consumption to bring about a concomitant reduction in imported oil usage. This can be expected since oil is the source of 80 per cent of total energy used in the Philippines.

Under the revised programme, energy consumption in 1985 will be kept at 117m barrels-of-oil-equivalent a year compared with the old programme's target of 134m boe. The new approach concentrates on influencing consumption and increasing efficiencies in various energy-using sectors.

The main targets are the transport and industrial sectors which jointly eat up 75 per cent of total commercial energy. Energy wastage in the land transport sector stems from traffic jams in crowded cities, old vehicles in use, and the lack of an efficient urban mass-transit system. Meanwhile, the industrial sector is saddled with old and inefficient machinery.

The Energy Ministry estimates that by 1985, 48 per cent of total energy requirements will be absorbed by the industrial sector in view of the Government's drive toward industrial expansion. The transport sector will have a lower share of 27 per cent as more efficient mass-transit systems are put into service.

Having postponed many of the oil-displacement projects, the readjusted programme requires less investment — about $5.4bn compared with past programmes' expenditure estimates of $9bn-$13bn.

Although the short-term strategy for oil import reduction has shifted emphasis to controlled consumption, the medium- and long-term policies continue to give urgency on the development of non-oil resources.

Hydroelectric

Next to oil, hydroelectric and geothermal energy would take up the bulk of the energy plan's projected expenditures. Hydroelectric plants will generate 2,256 MW of power by 1985 from the current capacity of only 943 MW.

The Philippines, lying along the volcanic belt encircling the Pacific has a large geothermal potential, estimated to be up to 3bn barrels of oil equivalent a year. Power output from geothermal plants stands at 446 MW, placing the Philippines second only to the U.S. in geothermal energy production.

So far, geothermal exploration in the country is largely in the hands of the State-owned Philippine National Oil Co. (PNOC). Only one private company, Philippine Geothermal, a subsidiary of Union Oil of California, is involved in geothermal exploration. Total of France and Caltex have shown interest in participating in exploration activities but they have not agreed with the Government's buying price for steam.

Meanwhile, coal will be used primarily as an industrial fuel. The biggest customer will be the cement industry, which has been required to convert plants to coal-use. The Government is spending almost 1bn pesos ($125m) for a logistics system which it says will rationalise coal demand, supply and distribution.

Part of this logistics system involves blending facilities which are a necessity because Philippine coal has lower heat-generating capacity, with an average of 8,000 BTU to 10,000 BTU. It has to be blended with higher-grade imported coal to suit the cement plants' heating needs.

For 1982, about 3.7m tonnes of coal will be imported mainly from Australia, U.S., Canada and China.

The Philippines' first $1.7bn nuclear reactor, being built by Westinghouse, is to come on-stream in 1985 and will put up 620 MW of the total power generation capacity of 7,078 MW that year.

Other non-conventional sources being tapped are coco-diesel, a blend of 90 per cent diesel and 10 per cent coconut oil—dendrothermal energy from quick-growing tree varieties—and "petroleum trees" whose fruits are found to contain reasonable amounts of petroleum.

Domestic oil, which two years ago was expected to play a great part in reducing imports, has been downgraded. The revised plan puts domestic oil's share in the energy mix in 1985 at a meagre 1.3 per cent from the previous plan's target of 14 per cent.

The key words to the Philippines' past and present programmes have always been "alternative" and "indigenous" sources of energy. Targets may have been too optimistic in the past but even the Asian Development Bank (ADB), which funds many of the energy projects and which had said that previous plans have been unrealistic now says that the new programme has achievable targets.

Emilia Tagaza

Foreign Surveys in the FT

The following foreign surveys are planned for later this month:

Qatar
Oil revenues provide a firm economic base and industrialisation is proceeding. There is declared support for closer regional links.

Colombia
Major developments are taking place in industry and natural resources. Tourism is another area with great potential.

Canada
The country has had to cope with considerable political and economic stress and will need all its proven resilience to cope with the task of reviving a flagging growth performance.

Kuwait
An affluent city state in the forefront of the Arab world. Disposal of its oil wealth is central to national policy.

Electricity from 'miracle tree'

PLANS BY the Philippine Government to spend 2.8bn pesos ($350m) by 1987 on providing rural communities with cheap, wood-fired electricity have generated a big international race. Balfour Beatty, the UK engineering and construction group, has already begun work on a first order for six 3.1 MW woodburning power stations on Luzon, the most populous island in the archipelago, under a $17m contract awarded in 1980.

The company faces competition, however, from Alsthom Atlantique, a French manufacturer, which had won initial orders for seven similar units. The Philippine authorities who plan to evaluate the performance of the British and French plants once they come on stream, intend building 72 woodburning power stations by 1987. U.S., Japanese and Swedish companies are also trying to sell appropriate technology to Manila.

The Philippine authorities use the term "dendrothermal" power to describe the power generated in woodburning plants. Their plans involve siting small power stations close to new plantations of the "miracle tree" —fast growing, self-fertilising ipil ipil trees — which the programme's backers believe will provide the 6.9 tonnes of timber per hour the power plants need to produce 3.1 MW.

The National Electrification Administration, which is leading the scheme, is concentrating its initial efforts on deforested mountain areas throughout the country except on the major southern island of Mindanao (here, the NEA says, power is already sufficiently cheap). The power stations are being sited next to 1,000 hectare plantations, run by local farmers, who have been encouraged to form co-operatives to sell the timber to the power plant. The plants, in turn, may be turned over to the same co-ops.

Most of the electricity generated in the Philippines is already in the hands of co-operatives and the new rural scheme provides for the small plants to plug into the national grid and sell off excess capacity. General Pedro Dumol, the NEA administrator, said local farmers had taken enthusiastically to the 27 plantation projects established so far.

An immediate problem for the NEA, however, lies in the delay between the installation of the first power units and the maturation of the first ipil-ipil trees in two years' time. Balfour Beatty hope to have a plant on stream by October, almost two years ahead of the first fully grown plantation. The first British plants in Luzon are being sited close to existing forest which, it is calculated, will sustain them until the ipil-ipil trees mature.

The British and French plant designs differ considerably, and while the technology being employed is not new, the Philippines scheme is. Balfour Beatty and Alsthom Atlantique are in open competition for a slice, at least, of the other 59 planned power plants.

Essentially, the British woodburning process involves feeding the trees to the boiler in log form while the French wood fuel (like most of the other potential competitors) will have to be chipped before burning. Both the NEA and Balfour concede that the woodchips will burn more efficiently but estimate that the chipping process could drain as much as 10 per cent of the unit's power. Gen Dumol has quite deliberately set the two processes against each other and plans to sit back and wait for results.

Studying

"The British equipment, if successful, will be the most exciting," he said. "It's so simple." Nevertheless, the NEA is now studying an immediate U.S. offer of three 5MW woodburning units, and a possible further 10. Swedish companies are apparently offering eight 3MW units and the Japanese 11 3MW plants.

Gen Dumol is, to put it mildly enthusiastic about the scheme's prospects. At an installation and first planting cost of £1,750 per kilowatt, harnessing the ipil ipil tree (brought to the Philippines by the Spanish from South America three centuries ago) would open an "astronomical" market. "If this succeeds," he said, "we will revolutionise the Third World." Some agencies believe, however, that the NEA may be underestimating operational costs, including rearing, felling and transporting the trees.

The General's enthusiasm may soon throw up new problems for the British technology. The NEA is considering using some of the ipil ipil sites to feed plants of up to 15MW and Balfour engineers in Manila say their log-burning boilers would not operate efficiently at that level. One (expensive) alternative would be to use the 3MW boiler in series. The other would involve reverting to the chipping process and using a different boiler altogether. Balfour has not yet decided which way to move.

According to Gen Dumol, the field will not remain open to foreign competitors for ever. The Government wants to generate local manufacture of the equipment and is encouraging foreign suppliers to seek out local partners. Towler and Son, the Clacton-based manufacturers of the 3MW boilers being used in the current Balfour Beatty design, is reportedly close to linking up with a Philippine group.

The probability that the NEA will opt for bigger plants is strengthened by its projected share of national capacity by 1987. Overall government energy plans envisage an increase in electrical output from 4,380 MW last year to more than 7,000 MW by the end of 1986. For the General to reach his target of 10 per cent of total output by 1987, average dendrothermal station output will need to rise from the present 3.1 MW to about 10 MW.

It seems likely that the NEA will, indeed, have its 72 plants established by 1987. The administration falls under the control of the powerful Ministry of Human Settlements, which is headed by Imelda Marcos, the country's first lady. She is one of the project's most ardent supporters, and that counts for a lot in the Philippines.

Peter Bruce

Marcos turns his mind to a successor

CONTINUED FROM PAGE 1

excellence." The President has always been much too sensitive to foreign criticism—particularly from the U.S.—to head a consistently authoritarian government.

There is also evidence that Marcos has concluded that poverty and inequality are the root causes of discontent in his country, and that military purges can suppress but never resolve this discontent. He recently admitted: "Security problems are not too complicated any more. Anybody can handle them. It's the economic problem that's difficult and has to be handled properly."

This explains the recent promotion of Sr Cesar Virata, the country's Finance Minister and leading technocrat, to become Prime Minister. It also explains why economic reforms are being rushed through at the same hectic pace as political reforms.

While progress in reorganising the critically important coconut industry has been hindered by the powerful vested interests that currently control the industry, efforts to broaden the country's agricultural base and to establish agricultural processing industries seem likely to show more fruit. The newly created P1bn (£66m) KKK national livelihood programme, intended to encourage private enterprise at the village level, could be an important means of alleviating rural poverty if it is not used as a "slush fund" for rewarding political loyalty.

Similarly, plans to establish the eleven major industrial projects, which have generated a stormy controversy in the Philippines, may do some good in broadening the country's industrial base — so long as the Government resists the temptation to mount them for the sake of political dogma, and waits until it finds an arrangement which makes the projects independently viable. While seven of the projects are now agreed, with a further two likely to go ahead in modified form, no-one should be confident that the climate will ever be right to mount the final two — an aluminium smelter and a petrochemical plant.

As Marcos harangues the parliamentary opposition for their failure to provide a constructive opposition, and warns his own KBL of the dangers of complacency, corruption and abuse of power, he is probably aware that the real threat to his power — if the reforms of the past year fail to bear fruit —is the militant underground opposition, and the exiled but still charismatic leader Benigno Aquino.

Sr Aquino, who was released from prison by President Marcos just over a year ago so that he could have a heart bypass operation in the U.S., has become a rallying point for Filipinos abroad and for critics of Marcos at home. But like other opposition leaders, he is maintaining a low profile at the moment, perhaps waiting for the dust to settle after the President's reforms, perhaps focusing on the day Marcos steps back from power — which most are convinced cannot be far from now.

Like the powerful Roman Catholic Church, which accepts a role of "critical collaboration" with the present regime but frowns on direct involvement with the powers that be for fear that alignment with any political group today will make it "the widow of the future," opposition leaders seem to be holding aloof, biding their time. Mergers of opposition groups which have already begun, and will continue over the months to come illustrate their concern to be well placed when Marcos withdraws from power.

While Marcos claims he needs just one or two years more, he is under no pressure to make a decision about retirement until the next Presidential elections in 1987.

Over the past 16 years he has consistently managed to confound opponents and the reforms of the past year show he has lost none of his skill. They are intended to transform his reputation so that he will be rememebered as one of the Philippines' great leaders. While much remains to be done, it would be rash to predict at this stage that he cannot succeed.

CARRINGTON IN MALAYSIA

Britain tries to clear the air

By Alain Cass, Asia Editor

LORD CARRINGTON, the Foreign Secretary, will today take his first, hesitant step into the minefield of Britain's relations with Malaysia.

His meeting with Dr Mahathir Mohamed, Malaysia's mercurial Prime Minister, is the first high-level contact between Britain and its former colony since last October's sudden crisis when Dr Mahathir announced that all government trade and commercial transactions between the two countries would have to be referred to his office.

About £40m worth of contracts which British companies might have been expected to win are believed in Whitehall to have been vetoed by Dr Mahathir's office. Other companies are still winning contracts, but the effect of Dr Mahathir's edict appears to be spreading through the ranks of Malaysia's traditionally pro-British civil service, to the alarm of Whitehall.

Lord Carrington's first attempt to defuse the crisis is being cautiously described as exploratory and any early "breakthrough" is being discounted with good reason.

The Malaysian leader has accused successive British Governments of being arrogant and high-handed in their treatment of Malaysia. He listed a number of specific grievances. These included the British Government's decision to raise the cost of education for foreign students in Britain, a demand, likely to be rejected, for more landing rights for Malaysia's national airline and the demeaning treatment accorded to Malaysian officials over the years by their British counterparts. He wants a "new relationship" on equal terms.

Dr Mahathir is the first Malaysian Prime Minister not to have been educated in Britain and his new style of leadership indicates a strong desire to break with past tradition. He once told a diplomat "We owe you nothing. You came here for your own reasons and left when it suited you."

Britain is anxious to clear the air as soon as possible for several reasons:

- Several hundred million pounds worth of contracts and existing investments totalling over £1.25bn hang in the balance while the row continues.
- As head of the Commonwealth Britain cannot remain indifferent to accusations of arrogance from an increasingly influential fellow-member.
- Malaysia is also a growing economic power. Since independence in 1957 it is now the world's biggest tin producer and supplies 40 per cent of the globe's natural rubber. The discovery of oil and gas has added to its economic strength.

The role that Malaysia is widely believed to have played in the recent moves on the London tin market to drive the price up is one example of Dr Mahathir's new approach. His refusal to attend the last Commonwealth Conference was another.

Beyond these specific issues there is also growing concern that the use of trade as a weapon in one of the few high growth areas of the world may be spreading. This is the second time that British contracts have been threatened in south-east Asia in less than a year.

Last summer's row with Indonesia over textile quotas, though quickly resolved, cost British exporters perhaps as much as £100m. More recently the Philippines threatened to use the trade weapon if outstanding issues with the European Community are not resolved.

Attempting to defuse the crisis: Lord Carrington (right) and Dr Mahathir Mohamed

But the dispute with Malaysia is not just about trade. It also goes beyond the grievances of student fees, landing rights and post-imperial arrogance however deeply felt these may be.

It springs from the sudden intensification of Malaysia's slow-burning nationalist revolution, the attempt to engineer a massive shift of wealth to the country's disadvantaged Malay majority from the Chinese minority and foreign shareholders. This is the overriding preoccupation which lies behind Dr Mahathir's approach.

For the racial issue remains the raw nerve of Malaysian politics which Britain — Whitehall and the business community alike — have to handle with extreme discretion.

Dr Mahathir's shock treatment of British exporters, the government and those companies with investments in Malaysia which have failed to fall in line with the New Economic Policy — the centrepiece of attempts to achieve political stability — is his way of underlining the urgency of his moves to alter the racial balance.

The New Economic Policy (NEP) was introduced in the early seventies in the wake of the bloody race riots of 1969 when the frustration of the Malays collided violently with the country's affluent Chinese minority.

The central aim of the NEP —the transfer of 30 per cent of Malaysia's corporate wealth to the Malays by 1990—through share purchases— is way behind schedule. When Dr Mahathir took office last year less than 12 per cent had been achieved.

Trade will eventually settle down to a more even-tempered pattern even though British companies may have to work harder to get the contracts in the face of stiffer competition from other European and Japanese exporters.

But those companies with investments in Malaysia who have yet to transfer 30 per cent of their holdings to Malays and as is frequently forgotten a further 40 per cent to non-Malays are likely to find themselves in Dr Mahathir's sights.

His priorities are the strategic sectors of the economy—oil, mining, land and banking. The first two are already under effective Malay control.

Banking is likely to be tackled last of all because of its complexity and international links, leaving land and the big plantation groups as the prime target.

Apart from being a scarce natural resource and crucial for economic development, land, much of which is government-owned, is the currency of political patronage in Malaysia. There is a growing feeling that leaving the plantation groups with 30 per cent of their original stake—as stipulated in the NEP—may only be an interim measure on the road to full-blooded land nationalisation. "The Malays, rightly in my view," said one old Malaysia hand, "want the minerals under the ground and the trees above it. It's a matter of national pride."

There are now fewer than ten big foreign owned mainly European plant companies left in Malaysia. Between them they control around 430,000 acres of prime plantation land. The three biggest ones are Britain's Harrisons and Crosfield with about 200,000 acres, the Danish United Plantations group with about 35,000 acres and the secretive Franco-Belgian family concern Socfin which controls between 60,000 and 70,000 acres.

Last year alone British groups sold under varying degrees of pressure and at prices ranging well below their estimated market value, nearly 300,000 acres of plantations.

Dunlop Holdings disposed of its remaining 51 per cent stake in its Malaysian plantations in the autumn. The previous month, Permodalan Nasional, the government-owned investment company, seized control of Britain's Guthrie Corporation after "a dawn raid" on the London Stock Exchange. A fortnight later Pernas bought 40 per cent of Barlow estates.

The Guthrie takeover sent shock waves through the British plantation industry which now fears that others, notably Harrisons and Crosfields may suffer the same fate if they do not fall in line quickly.

Harrisons' Malaysian subsidiary—Harrisons' Malaysian Estates (HME) has been locked in tough negotiations with the Malaysian authorities for some time. There are signs that Dr Mahathir's government is beginning to lose patience.

A takeover of Harrisons' and Crosfields would cost Malaysia well over the £282m paid for the Guthrie Corporation. Buying out all the foreign-owned plantations calculated at an average of M$7,000 per acre would cost near enough £725m.

Malaysia could not afford to do this at one fell swoop and, in any case, would not wish to for fear of triggering a collapse in confidence. Neither does any of this argue that foreign companies will not continue to play a major role in the foreseeable future.

What it does mean, however, is that Malay nationalism is likely to dictate government policy to a greater degree from now on and that the present row with Britain is the first warning shot.

THE UK STAKE IN MALAYSIA

There are currently more than 300 companies in Malaysia in which Britain has some form of equity participation.

- **Tin mining:** The most prominent is that of Charter Consolidated. It has 61.9m shares or 14.5 per cent of Malaysia Mining Corporation, the world's biggest tin mining group. This is worth 266m ringgit at current market prices.

British interests in other Malaysian mining companies range from five to 20 per cent.

- **Petroleum:** The Shell group has been involved in oil exploration for over 70 years. Its subsidiaries produce about 150,000 barrels of oil daily (55 per cent of Malaysian output).

Shell's assets in Malaysia exceed 1bn ringgit. British Petroleum is involved in exploration. British National Oil Corporation has a technical agreement with Petronas, the state oil corporation.

- **Tobacco:** British controlled companies dominate the cigarette industry in Malaysia. The biggest manufacturer, Malaysian Tobacco Company (MTC) is 80 per cent owned by BAT.
- **Banking:** The Chartered Bank has been doing business in Malaysia for over 100 years. The Hongkong Shanghai Bank was not far behind. The two banks have more than 70 branches spread across the country.
- **Cement:** The Blue Circle group owns about 60 per cent of publically listed Malayan Cement.
- **Chemicals:** The ICI group has several companies in Malaysia, making and marketing paints and chemicals. Its biggest investment is its 50.1 per cent stake in Chemical Company of Malaysia.

Unilever's Malaysian operations are conducted through Lever Brothers (M) Sdn. Berhad.

- **Plantations:** Harrisons Malaysian Estates, which is 80 per cent owned by Harrisons and Crosfield, owns about 200,000 acres valued at 1.2bn ringgit.

Other big British plantation groups include: the M.P. Evans family group with about 35,000 acres, Unipalm-oil with 32,000 acres, Yule Catto with 15,000 acres, and the Commonwealth Development Corporation with 44,000 acres.

Wong Sulong

Lombard

Friedman and the U.S. Fed

By Samuel Brittan

HAVE YOU HEARD the story of the six foot man who drowned trying to cross a river that averaged five feet in depth?

Prof. Milton Friedman uses the story against the Fed in a Wall Street Journal article of February 1. His argument is that although average monetary growth in the past two years has been "fairly good," short term variability has been too high.

Most European supporters of monetary control, especially in the UK, would be delighted if their central banks could achieve the Fed's track record, even for a year at a time. The growth rate of the Fed's chosen target variable M1B in the year up to the fourth quarter of 1981 was 5 per cent, just below the bottom of the Fed's target range. It compares with a 7½ per cent average in the five years to 1980 and 7.3 per cent in 1980 itself. This seems pretty reasonable progress towards the gradual reduction of monetary growth with which Friedman himself is so strongly associated.

Friedman's complaint is that within a satisfactory overall performance there have been too many switch-back episodes of which the last couple of months have been an example. Earlier on, M1B grew at an annualised rate of 23.8 per cent in the 11 weeks to April 22, 1981, followed by a 10.6 per cent drop in the subsequent 10 weeks. Friedman connects these fluctuations with erratic movements of interest rates and of the general economy.

There is no need to become involved in the argument about whether more stable monetary growth in the very short term will lead to more or less very short term interest rate volatility. The two main reforms advocated by the Friedmanites are a shift to contemporaneous reserve accounts by the banks and an official discount rate linked more closely to market rates. These changes may do some good and very little harm and should be made—if only to end this aspect of the debate, so that no-one can say that monetary control failed because of deficiencies in the regulatory mechanism.

But it is the preoccupation with theological technicalities by major monetary economists that I find worrying. In Friedman's own *Monetary History of the United States*, the chapter of conclusions discusses the characteristics of different periods in terms of annual averages. Indeed the whole tenor of "monetarist" reasoning is that transitional changes have little impact provided that they are confidently expected to be reversed within a few weeks or months and there is confidence in a steady year-to-year reduction in monetary growth to non-inflationary rates.

Confidence that a steady non-inflationary path will be followed may well be lacking. The yield of nearly 14.6 per cent on a new Treasury 30 year bond suggests this. But doubts raised by temporary variability in monetary growth are surely a minor factor compared with, for instance, the fear that political pressure will be piled on the Fed to reduce interest rates, especially in election years.

Many of the so-called "supply-siders" in the Administration are not prepared to face the transitional cost in recession and slower growth involved in reducing inflation, particularly in a Congressional election year. They want to put their foot down on the monetary as well as the fiscal accelerator far more extravagantly than the Keynesians whom Friedman believes to inhabit the Fed.

Second order criticisms of the Fed of the Friedman type are being used by the Reagan Administration (a) to cover its own divisions and (b) to insinuate that the money supply could be controlled by some painless means which would guarantee low interest rates as well, if only the Fed would pull up its socks.

If the present U.S. attempt to control inflation by monetary means fails it will not be due to lagged reserve accounting (any more than such a failure in the UK would be due to not adopting monetary base control).

It is time that the Friedmanites stopped trying to find common ground with the "supply-siders"—for which the latter merely reward them by a kick in the most painful part of the anatomy. Instead they might remind the President that the Fed cannot control both the quantity of money and the rate of interest; and that technical tinkering will not remove the ultimate choice.

Letters to the Editor

Rival links across the Channel

From the Director-General, General Council of British Shipping

Sir,—In his article of January 28, Samuel Brittan referred to "projects ... such as the Channel Tunnel, so beloved of lobbyists, which would be very cost-ineffective." How right he is! The fixed link schemes, even without allowing for the cost overruns invariably associated with major capital projects, are enormously expensive. Present estimates range from £850m (at 1980 prices) for the small-bore tunnel, to £3,800m for the bridge and tunnel scheme.

Any fixed link should obviously be able to justify its capital cost by savings in operating costs. The advocates of the various schemes insist that they would be commercially viable. But are they all prepared to put their money where their mouth is, without any Government or EEC subsidy or guarantee? If so, they will be brave men, seeing that their costings are based on estimates that ferry charges would be the same in 1990 in real terms as they are today. In fact, by better and more efficient use of the ferries (load factors on the Dover/Calais/Boulogne routes are only 35 per cent on a year-round average) fares will come down (what happened to Concorde during its development stage with the introduction of big jets and lower fares).

The ferries provide a round-the-clock, highly adaptable set of services carrying all kinds of traffic, including the largest lorries allowed on British roads. No tunnel could do this. And a tunnel or bridge would be subject to immediate blockage by engineering mishaps, weather, industrial action or sabotage. The ferries, on the contrary, can cope with all changing conditions. They have never been completely stopped, even by weather or industrial action since the end of World War II.

The Working Party consisting of the ferry companies, the Dover Harbour Board, the Kent County Council, this organisation and others, has demonstrated that existing ferry capacity is capable of coping with all estimated levels of traffic up to the end of the century, and comparatively small injections of capital will carry us through to the year 2010 and beyond.

The key question in the debate over the building of a fixed link between Britain and France is not which scheme is the best, but is any scheme necessary at all? Most of us, I think, would have better suggestions for spending upwards of £850m.

W. P. Shovelton.
30-32 St Mary Axe, EC3

Rates versus local taxation

From Mr John Heddle, MP

Sir,—Notwithstanding Mr A. Potter's letter (February 1) which rightly draws attention to the fact that levying rates on industrial and commercial premises amounts to "taxation without representation"—a defect which I sought to rectify in my Private Member's Bill the Rating (Business Premises Relief) Bill last June—his comments should not go unanswered.

Firstly, he is incorrect in stating that "domestic ratepayers contribute less than 10 per cent of the total rates collected." For 1981/82 the estimated yield from domestic rates for England and Wales is £4.1 billion and from commercial rates £5.2 billion. The corresponding figures for 1980/81 were £3.4 billion and £4.4 billion.

Secondly, he advocates that the present rating system should be replaced by local income tax. Certainly the Layfield Committee of Enquiry into local government finance in 1976 put this tax forward as a serious candidate to act as a supplement to local rates for the benefit of the shire counties, the Metropolitan districts and the London boroughs, but it did not advocate local income tax as a substitute.

There are, however, serious disadvantages which would seem to rule this tax out of consideration even to the extent suggested by Layfield.

Successive governments have pursued policies which seek to transfer the burden from direct to indirect forms of taxation. As a tax on work and incentive, the introduction of local income tax seems to be inappropriate in the current economic climate and especially when a world recession is occurring.

To replace the present yield from domestic rates alone would cause a rise in the basic rate of income tax amounting to about 6p in the pound and if the rating system were to be abolished in its entirety, income tax would have to be increased to about 13.5p in the pound.

The Layfield Committee emphasised that the tax would have to be collected and administered by the Inland Revenue with the proceeds being distributed to local authorities according to some formula related to origin.

At that time it was anticipated that 12,000 additional staff would have to be recruited by the Revenue at a total estimated cost of £50 million with similar costs having to be borne by employers. Today, the cost would certainly exceed £100 million.

The problem of distribution of the yield would highlight the central problem of whether the basis of tax should be the place of residence or the place of work and failure to resolve this problem in an equitable and precise manner would transform the tax into a very expensively administered form of assigned revenue.

The Government's resolve to find a fair and lasting solution to "the great rate debate" must begin in earnest after the consultation period, for its Green Paper expires on March 31 and certainly it must devise a system which at once increases local accountability, strengthens local democracy and protects the industrial and commercial ratepayer, but I hope that it will not be seduced into adopting an alternative form of taxation which will cause a dramatic rise in the standard rate of tax.

John Heddle.
House of Commons, SW1.

Lessons to learn in Northern Ireland

From Sir John Biggs-Davison, MP

Sir,—It is not "beyond the wit of man to devise appropriate safeguards" (leading article February 1) for the minority in a new Northern Ireland elected assembly. It should be possible to provide them in adding some powers to the District Councils and in restoring not a legislature but the missing upper tier of local government.

What you describe as "a very political province" is in fact weary of violence and of politics. Local authorities attuned, as are those of Wales and Scotland, to local traditions and conditions; increased parliamentary representation; the European Assembly: these should give scope enough for a territory the size of Yorkshire.

Put the Union, desired by most Protestants and many Catholics, beyond doubt, subject perhaps to periodical plebiscite: then appropriate institutions can be developed for these islands which already form a Common Travel Area with virtually common citizenship.

The best "constitutional guarantees to protect the minority community" are now of a single Parliament. That is the lesson of Stormont.

John Biggs-Davison.
House of Commons, SW1

Putting money into holes in the road

From Mr M. J. Field

Sir,—In answer to Mr P. F. Hall's letter (January 27) regarding the De Lorean demand for £40m, his idea, that instead of the Government giving the cash they should place an order for the cars and then dump or resell them, does have a snag.

The thought smacks of the Keynesian idea of getting a man to dig a hole in the ground and then fill it up again. Unfortunately the present Government is Monetarist.

M. J. Field.
Dauntsey's School, West Lavington, Devizes, Wilts.

Who controls the purse strings

From Mr Peter Oppenheimer

Sir,—Until this morning, I was quite confident that only the Bank of England could afford to issue 25-year debt at 16 per cent, since it alone would not be bearing the risks of such an issue. Now Barclays has done it too. Could there possibly be a clearer admission of who really controls the UK money supply?

Peter M. Oppenheimer.
Christ Church, Oxford.

The tax laws and divorce

From Mr David G. Lindsay

Sir,—Congratulations to Rosemary Burr on her article (January 30) demonstrating how the tax laws penalise the married by comparison with the divorced. A somewhat similar comparison could be made between the married and the single.

Two simple steps that I have been advocating in your columns could eliminate this injustice, namely:—

1. Allow the married to opt for partnership tax treatment, i.e. "income splitting," in which tax (both income and capital gains) is levied on the couple jointly at twice the tax that would be payable by a single person having half the couple's aggregate income or half their aggregate capital gains.
2. Reintroduce child tax allowance (at a level that takes account of the fact that part of the cost of a child is already provided by child benefit) and allow the single personal allowance only to adults.

The foregoing could be paid for by abolishing mortgage interest relief, which has had no justification since schedule A tax on home ownership was abolished.

David G. Lindsay,
36 Orchard Coombe, Whitchurch Hill, Reading, Berks.

UK COMPANY NEWS

TMG estimates 1981 losses at I£1.5m

THE troubled TMG Group, which announced proposals in December to raise approximately I£6.75m in a capital reconstruction and rights issue of 6.9m convertible preference shares, estimates that its pre-tax losses in 1981 were approximately £1.5m and extraordinary losses were £1m.

For 1980, the diversified Irish engineering group incurred pre-tax losses of £2.7m and extraordinary losses of £3.8m.

In a document giving details of the capital reconstruction, Mr James O'Dwyer, a director, says that as a result of these losses and certain closures, the borrowings of the group have escalated to an unacceptably high level.

Following the closures of Pierce Wexford, Hammond Industries and Massey-Ferguson Distributors, the group now consists of six wholly-owned operating units, Tonge and Taggart, J. and C. McGloughlin, A. H. Masser, Waterford Ironfounders, Masser Hammond and Hammond Lane Metal Company. It also has a 50 per cent interest in Irish Containers and a 29 per cent stake in Sanbra-Fyffe.

With the exception of Waterford Ironfounders and A. H. Masser, the remaining subsidiaries are profitable. Stringent measures are being taken in both of these companies to improve their performance.

Subject to the approval of ordinary shareholders and holders of the 10 per cent convertible subordinated unsecured loan stock 1992, two new convertible 25p preference shares at par for every three ordinary 25p shares or £3.30 nominal of stock held on February 8. The new preference shares are convertible into new "B" ordinary shares with a par value of 12.5p on June 30 of any year to 1991 on the basis of two "B" ordinary shares for each preference share.

Dealings in the new preference shares are expected to begin on March 3 and the final date for acceptances is March 24.

TMG has also agreed with its banks that it will receive new facilities amounting to £6.25m and the banks have agreed to subscribe £1.75m for 175,000 £1 bank preference shares. Foir Teoranta, the Irish State-backed industrial rescue service, is subscribing £1.75m for 175,000 Foir Teoranta £1 preference shares and the Industrial Development Authority is buying for £1.5m and leasing back company properties in Waterford and Dublin.

TMG also proposes to convert the £863,000 outstanding balance of its convertible loan stock. It is a condition of the proposals that stockholders sanction the conversion into 784,584 new "A" ordinary shares which will be entitled to a gross dividend of 11p per year. They will be convertible into ordinary shares on the basis of one-for-one.

Ordinary shareholders who do not subscribe for the preference shares in the rights issue will suffer a dilution in their voting rights of approximately 60.4 per cent on full conversion. Those who do subscribe will suffer a dilution in voting rights of 7.6 per cent.

A pro-forma consolidated balance sheet at December 31 1981, adjusted for the capital reconstruction, shows net tangible assets of £11.7m, £7.06m in shareholders funds and £4.1m in bank borrowings.

Mr O'Dwyer says it is not practicable to predict the likely trading outcome for 1982 but the proposed restructuring should provide a basis from which the group can return to profitability as quickly as possible.

As part of the proposals, Jefferson Smurfit will participate in the management of TMG and be entitled to nominate two directors.

Tynevilla Investments, a company controlled by the family interests of Mr M. W. J. Smurfit and Mr M. A. Buckley, is taking up its rights to 1.6m preference shares, carrying 13.2 per cent of the voting rights on full conversion and these shares will be held personally by Mr Smurfit and Mr Buckley.

The balance of the rights issue has been underwritten by Smurfit Investments (Ireland). If other ordinary shareholders and stockholders do not take up any of their rights, then 43.9 per cent of the voting rights on full conversion will be held by the underwriter.

It has been agreed as a condition of the proposals that TMG will put to shareholders for their approval as soon as possible a scheme providing for the reduction of the company's capital, including the elimination of the £4.3m deficit on revenue reserves.

● comment

TMG's meteoric rise and fall in the past six years almost takes the breath away. From 1974 when the group acquired Masser-Waterford Ironfounders and Mr Maurice Buckley took charge, the shares rose from a low of 28p to 206.5p in 1979 when things started to go badly wrong. The move into agricultural implements in 1977 and the ill-timed acquisition of the Massey-Ferguson franchise in 1979 were particularly damaging. Losses and closure provisions sent borrowings to over £11m last year, nine times shareholders' funds. The shares plunged to 14p last year and have edged down slightly since then. The rescue package will bring capital gearing down to 58 per cent, but with the construction equipment and foundry businesses still in loss, the prospects look speculative at best.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Home Farm Products, Meat Trade Suppliers.

Finals—Boadstone Investment Trust, Lancashire and London Investment Trust, Manchester Ship Canal, U. C. Investments.

FUTURE DATES

Interims—	
Consolidated Gold Fields	Mar 3
Dale Electric International	Feb 11
Press Tools	Feb 11
Ransom (William)	Feb 18
Worthington (A. J.)	Feb 9
Finals—	
BICC	Mar 24
Rentokil	Mar 4
Romney Trust	Feb 22
Thermal Syndicate	Feb 11
Weber	Feb 11
Whittingham (William)	Feb 18

PENDING DIVIDEND

Dates when some of the more important company divi statements may be expected in the next few weeks are given in following table. The dates shown are those of last y announcements except where the forthcoming board meet (indicated thus*) have been officially published. It should emphasised that dividends to be declared will not necessaril at the amounts in the column headed "Announcement last yea

	Date	Announcement last year		Date	Announcement last year
*Anglo American Gold	Mar 11	Final 600c	*Hongkong and Sh'ghai Bkg.	Mar 9	Final HK
Ault and Wiborg	Mar 6	Final 1.05	Hoover	Feb 23	Final 2.0
*BICC	Mar 24	Final 6.4	*ICI	Feb 25	Sec. int.
BSR	Mar 18	Final nil	IMI	Mar 17	Final 2.5
BTR	Mar 12	Final 5.5	*Imperial Gp.	Feb 11	Final 4.5
Barclays Bk.	Mar 5	Final 9.25	Lex Service	Mar 19	Final 4.
Barratt Devpmts.	Mar 17	Int. 3.5	*Lloyds Bank	Feb 19	Final 9.
Bejam	Mar 18	Int. 1.25	*Lonrho	Feb 11	Final 6.0
Bibby (J.)	Mar 5	Final 4.925	Marchwiel	Feb 19	Final 3.
*Birmid Qualcast	Feb 17	Final nil	Midland Bank	Mar 20	Final 14
Boddingtons Breweries	Mar 19	Final 1.6	Mills and Allen Intl.	Mar 29	Int. 5.0
British Aluminium	Mar 11	Final 2.0	Mitchell Cotts	Mar 5	Int. 0.
British Petroleum	Mar 12	Final 14.0	*NatWest	Feb 23	Final 12
British Vita	Mar 3	Final 2.8	Nottingham Mnfg.	Feb 23	Final 3.
Brown Bros.	Feb 26	Int. 1.0	Plessey	Feb 26	Int. 3.2
Cadbury Schweppes	Mar 19	Final 2.9	Ransomes Sims and Jefferies	Mar 4	Final 8.
Carrington Viyella	Feb 25	Final nil	*Rentokil	Mar 4	Final 3.
Cement Roadstone	Mar 18	Final 3.23	Royal Dutch Petroleum	Mar 12	Final Fl
*Commercial Bank Aust.	Feb 25	Int. 10c	Royal Insce.	Mar 2	Final 14
*Commercial Union	Feb 23	Final 6.4	*Securicor	Feb 10	Final 1.
*Cons. Gold Fields	Mar 3	Int. 8.5	*Security Services	Feb 10	Final 1.
DRG	Mar 18	Final 3.0	Shell Transpt.	Mar 12	Final 8
Dalgety	Feb 18	Int. 11.0	Sime Darby	Feb 19	Int. 10
*De Beers	Mar 9	Final 50c	Staffs. Potts.	Mar 5	Int. nil
*Dowty	Feb 11	Int. 2.2	STC	Mar 20	Final 6.
Ductile Steels	Mar 17	Int. nil	Steetley	Mar 19	Final 6
Fairclough Constr.	Mar 17	Final 2.86	Tilling (T.)	Mar 18	Final 4
Fisons	Mar 2	Final 3.1	Transpt. Dev.	Mar 12	Final 2
General Mng.	Mar 5	Final 100c	Tricentrol	Mar 19	Final 5
Guest Keen	Mar 18	Final 4.0	*Tube Invs.	Mar 10	Final 2
Guinness Peat	Feb 10	Int. 2.75	*Turner and Newall	Mar 17	Final 3.
Hepworth Ceramic	Mar 19	Final 4.288	Ultramar	Mar 11	Final 7
			Unilever	Mar 3	Final 3
			*Utd. Biscuits	Mar 11	Final 2
			Utd. City Merchants	Mar 12	Int. 0.
			Wolseley-Hughes	Mar 19	Int. 4
			Woolworth (F. W.)	Mar 11	Final 3

* Board meeting intimated. † ... issue since made. ‡ Tax free ... issue since made. ¶ Forecast.

Heron and ACC advisers meet today

BY JOHN MOORE

Barclays Merchant Bank, advisers to Heron Corporation over its intended offer of £46.6m for Associated Communications Corporation, the entertainments conglomerate, are meeting with Standard Chartered Merchant Bank, advisers to ACC today.

The two sides will be discussing the conditional terms offered by Heron on the night of January 13. Then Heron approached ACC as the board was concluding an agreed £36m takeover of the group by business interests of the Australian entrepreneur, Mr Robert Holmes à Court.

The main areas of discussion at today's meeting will be the question of whether ACC will allow further investigation of the company's affairs by Heron; and, a pivotal point of the meeting will be whether Heron will be able to control 100 per cent of ACC.

Heron is seeking the acceptance of Mr Holmes à Court to any offer which it makes. Mr Holmes à Court holds around 51 per cent of the non-voting shares through his business interests and over 2 per cent of the voting shares. Directors of ACC, including Lord Grade, from whom Mr Holmes à Court took over the chair last month, have already pledged their support to the Australian's offer representing nearly 64 per cent of the voting shares.

But it is understood that although Mr Gerald Ronson, head of Heron Corporation, a diversified private company, wants to own 100 per cent of ACC he could still remain interested in making the offer even though Mr Holmes à Court decides not to accept.

Mr Holmes à Court is in Australia and is not expected back in the UK until the end of this week.

In his absence a board meeting is likely to be held later this week, perhaps Tuesday or Wednesday, taken by his nominated acting chief executive, Mr Bert Reuters, to consider the Heron proposals.

Meanwhile, the formal offer document from Mr Holmes à Court is in draft form and could be issued on Thursday of this week depending on the outcome of the Heron talks.

Heron's appeal court move to stop directors of ACC transferring their voting shares to Mr Holmes à Court is due to be heard on February 15.

Carr Sebag planning restructure

Carr Sebag, the large UK stockbroking firm which has been examining its future role in stockbroking, will reveal a major restructuring plan later this week.

The plans are expected to involve a sale of the overseas operations of W. I. Carr, part of the Carr Sebag group, and a reshuffle of the partnership.

The overseas operations of Carr are thought to be going to a substantial UK concern.

The move follows a long period of reassessment at Carr Sebag, which has been in talks with various parties, which might help it reduce the costs of running its business. Late last month a plan to enter a joint operation with another broker Brewin Dolphin on the private client side of Carr Sebag's business was dropped.

Under the proposed plan Brewin Dolphin would have provided settlement services for a new private client company run by the private client partners of Carr Sebag.

SHARE STAKE

U.S. and General Trust—London and Manchester Assurance Company has acquired 290,000 ordinary making total holding of 2,005,000 (24.73 per cent).

Slow start to year by Ley's Foundries

THE CURRENT year at Ley's Foundries and Engineering has not opened as well as had been expected, says Mr Ian Ley, the chairman, in his annual statement. This is because the first quarter's results of Ley's Malleable Castings have been hit by a long strike at a major customer with an immediate effect on sales.

For the year ended September 30, 1981, the worst trading conditions in the group's history resulted in a pre-tax loss of £2.43m, against a £0.54m profit previously—as reported January 9.

Mr Ley says competition for orders remains fierce and the selling prices obtainable are unsatisfactory on a long-term basis, but adds that there is greater recognition of the importance of achieving satisfactory improvements in productivity as the only way to secure a real advance from the present position.

Beeston Boiler produced a substantial loss for 1980-81. Following the discovery that the value of stock and work in progress had been overstated during a long period in the financial information submitted to management, the executive responsible for reporting these matters to the board has left the company.

An investigation has been carried out in conjunction with the auditors and changes have been introduced which are designed to ensure that there will be no repetition. At the same time, a review of the business has been carried out and urgent action is being taken to improve trading results.

It is considered that the overvaluation amounted to some £640,000 as at September 30, 1980 and this amount has been deducted from the revenue reserves at that date. Comparative figures in this year's accounts have been adjusted.

FT Share Information

The following securities have been added to the Share Information Service:

Alexander and Alexander Services (Common Stock and 11 per cent Conv. Debs.) (Section: Insurance).

Drayton Far Eastern Trust Warrants 1982-91 (Investment Trusts).

Fujitsu (Electricals).

Nationwide Building Society 15¼ per cent (24/11/82) (Loans—Building Societies).

Nationwide Building Society 15½ per cent (13/12/82) (Loans—Building Societies).

Town and City Properties 7 per cent Conv. Cum. Pref. (Property).

SPAIN

1981-82 High	Low		Feb 5 Price %
350	251	Banco Bilbao	338
359	280	Banco Central	359
323	229	Banco Exterior	321
337	239	Banco Hispano	323
128	115	Banco Ind. Cat.	115
383	284	Banco Santander	339
228	148	Banco Urquijo	228
395	263	Banco Vizcaya	328
252	203	Banco Zaragoza	235
173	82	Dragados	173
75	45	Espanola Zinc	62
72	55	Fecsa	62.5
55	22	Gal. Preciados	44
82.7	63.5	Hidrola	67.5
62.5	50	Iberduero	52.5
102.5	70	Petroleos	100.5
104	70	Petroliber	96
102	20	Sogefisa	20
80	60	Telefonica	74
78.2	60	Union Elect.	66.7

THE TRING HALL USM INDEX

118.9 (unchanged)

close of business 5/2/82

BASE DATE 10/11/80 100

Tel.: 01-638 1591

KUWAITI DINAR BONDS

Controlled growth policy protects prestige market

INTERNATIONAL bankers believe that Kuwait, eight months after the re-opening of its dinar bond market, means to keep the market open. They base this conviction on the presence of the relatively new Finance Minister, Abdullatif Al Hamad; a professional banker and former chairman of Kuwait Investment Company (KIC), who sees the dinar bond market as a source of prestige for his tiny country of 1.5m people.

The dinar bond market is small with only £1.5bn in dinar bonds having been placed since its inception in 1974. It is closely regulated by the Kuwaiti authorities, who while encouraging its growth, want the expansion to be orderly. "A flooding of the market with paper will destroy it before it is ready. It would push rates up and prices down" said a Kuwait banker.

To guard against overheating, all borrowers have to be approved by the Central Bank; each issue has to await its turn in an informal queue; and bonds are limited to 7m dinars ($25m) and a 10 year duration. The market was shut down in November 1979, re-opened for one foreign issue in 1980, and closed again until June 1981. Reasons for the closure were the Iran-Iraq war and skyrocketing U.S. interest rates which triggered a huge capital flight.

The Kuwait-based Arab Company for Trading Securities (ACTS) claimed in a recent report that the continued decline in dinar deposit rates had given the KD bond market a tremendous boost. The market has witnessed a record turnover in KD bonds since the beginning of this year, the report said.

Bankers, however, tend to take this with a grain of salt. They point out that the KD bond market is extremely attractive to borrowers but "rather rigged" for investors.

The attractions of the bond market are low interest rates and a stable currency that kee[ps] close track of the U.S. dollar. [B]y law, dinar bonds can yield no more than 10 per cent. Application of this law is being eroded by the recent issue of coupons above 10 per cent and by pricing an issue below par to yield more than 10 per cent. Even so, a dinar bond is 450 to 550 basis points below what a corporation would have to pay for comparable Eurodollar debt.

ACTS points out that the spread relationship between cost of funds and yield and KD bond issues is "exceptional." KD deposit rates are currently quoted at 8¼ per cent by local banks, compared to a 12 per cent yield. But bankers point out that this is mainly true for holders of KD deposits. Institutions which must buy dinars are forced to pay up to 2¼ per cent more than Kuwaitis.

The dinar's value is pegged to a weighted basket of currencies that closely follow the U.S. dollar. Although the contents of the basket are secret, it is said to be dominated by the U.S. dollar. This is because Kuwait's oil is priced in dollars and about 40 per cent of Kuwait's Gross National Product comes from income on mostly dollar-denominated investments. Despite the close link with the dollar, the Kuwait dinar has been able to avoid the large fluctuation of the dollar by tight control of interest rates by the Central Bank of Kuwait.

While most corporate treasurers would leap at a chance to float an issue on the KD bond market most investors tend to steer clear of it. "Why should we involve ourselves?" asked a Kuwait commercial banker. "The loans are granted at subsidised rates. A secondary market is virtually non-existent." Last year the total value of outstanding KD bond issues was $500m; only $106m was traded on the secondary market.

The KD bond market fits neatly into Kuwait's foreign policy: a policy designed to stay on the right side of virtually everybody. It constitutes a Kuwaiti gesture to recycle petrodollars and allow borrowers who may find it difficult elsewhere, to come into the market. To become a full-fledged international bond market Kuwait will not only have to internationalise its currency but also float its interest rate—a decision which in the words of one banker "would defeat the purpose of the exercise."

James Dorsey

INTERNATIONAL BONDS

Europe resilient to bad news from America

"OUR PRICES should be down, but the market is quite strong." These were the words of one Eurobond trader last week, commenting on the manner in which Europe's capital markets have been resisting the bad financial news from across the Atlantic.

The Eurodollar, Euro D-Mark, and Swiss franc foreign bond markets were all uncertain about short-term interest rates, but not one of these markets panicked.

One explanation for the resilience of the Euromarket is that major institutional investors did not engage in heavy selling last week. In addition a number of dealers covered short inventory positions with limited buying; this helped keep prices stable.

The stability of the Euromarket is noteworthy because of the extreme swings and roundabouts in Federal funds, Eurocurrency deposit rates (see chart), and U.S. money supply figures. Friday's $1.4bn drop in M-1 was the first indication in a fortnight that the money supply was truly in decline, but even this figure may not be enough to quell market anxieties on both sides of the Atlantic.

In the new issues business last week the Eurodollar sector saw two fast-selling floating-rate note offers for French names. The first was the club deal for Societe Generale through Samuel Montagu, paying ¼ per cent above London Interbank offered rate (Libor). The $250m worth of 13-year paper, complete with investor redemption options and flat fees for waiving such options, went very quickly indeed.

Later in the week Credit National, the French state financing agency, jumped in with $200m of 12-year paper paying ¼ per cent above the mean of the London interbank bid and offered rates. Less of a spread, but the issue was also doing well on Friday.

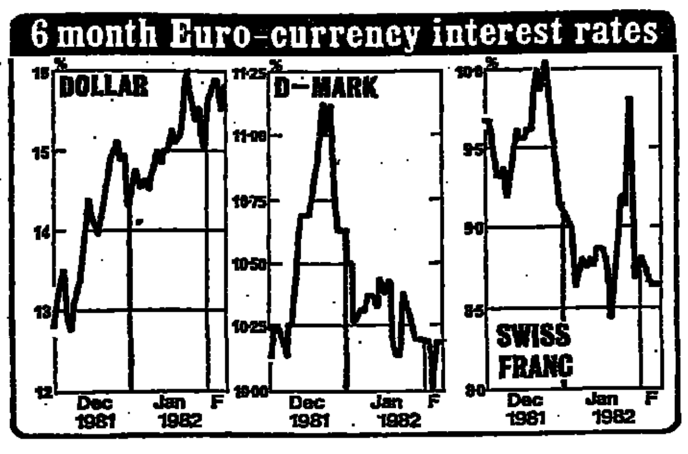
What was less clear last week was whether GMAC is interested in entering the competition for the "Most Frequent Borrower of 1982." Having offered $400m worth of zero coupon bonds last month GMAC was back last week with a $150m six-year fixed interest offer at 16 per cent plus another $400m of zero coupon bonds.

In the Euro D-Mark sector the drawing power of Philip Morris was proved again when the coupon was cut from an indicated 9⅜ per cent to 9¼ per cent at a price of 100¼ to yield 9.4 per cent.

Today may see a rare DM 50m offer for the South African Transport System (SATS) through BHF. The offer, if it comes, will have to be short-term and high-coupon, given the borrower in question.

Alan Friedman

6 month Euro-currency interest rates



CREDITS

Confusion continues over the direction of spreads

THE EUROCREDIT market saw one firm decision last week with the re-admission of Turkey, raising its first major external debt since 1977. Postponements and delays elsewhere attested to a continuing confusion over the direction of spreads—particularly for Latin American credits.

Turkish Airlines, guaranteed by the Republic, is raising $76.5m over 10 years at 1½ per cent over London interbank offered rates (Libor). The loan will be used to purchase four Boeing 727s and is being managed by Morgan Guaranty, the agent bank; Manufacturers Hanover; Bankers Trust; Amex; Arab Banking Corporation; and Arab Turkish Bank.

The best spread previously achieved by Turkey was 1¾ per cent and some good news is clearly expected by the banks on the balance of payments front for 1981. The figures are due shortly.

Mexico had a national holiday on Friday—which accounted for some at least of last week's delay in the announcement of mandate details for Pemex's $2bn credit.

Four or five banks are now expected to receive the call before mid-week, probably to co-managers chosen by Pemex from the many banks which have made individual approaches. If it sounds complicated, it is—and "a very difficult situation" (one U.S. bank's description) is unlikely to be resolved by anything so simple as a mandate.

By contrast, competing bids for a $200m loan to SEGBA, Argentina's electric utility, may have been simplified on Friday.

SEGBA has postponed the closing date for bids until February 10. One group will be led by Arab Banking Corporation and Gulf International Bank. Two other groups, led by LBI and First Chicago, were talking on Friday about pooling their efforts.

No such luck for Venezuela. The banks handling one-year loans for CVF, the state-owned development institution, still appear unclear about which has been mandated and which has not.

Five Arab banks, again led by ABC and GIB, have meanwhile been asked by Venezuela to formalise bid terms for a proposed $1bn credit. The republic's $500m credit completed last month achieved a record low spread for a Latin American borrower, a fact now being weighed carefully in Bahrain.

The Arab banks are also aware, though, of some anticipation in the market of higher spreads for Latin American borrowers.

Banco del Estardo, Chile's state-owned bank, is raising $100m over eight years with a ten-bank management group including Orion Royal Bank. Spreads are split with ⅞-1 per cent over Libor and ⅝-⅞ per cent over prime on two tranches.

The Chilean Telephone Company borrowed six-year money at ⅝ per cent over Libor last September. Now Chile's rate looks higher, adding to doubts about spreads for the whole region.

But appearances may be deceptive. Recent private sector deals for Chile have been well-received. The new credit's progress will be watched closely as too will any signs of a clear response from Ecuador to offers of a $200m credit which should be awarded before February 18.

Bids for a small loan to ISA, Columbia's central electricity utility, are also due by tomorrow.

The unsettled state of the Eurocredit market is suggested on a rather grander scale by the triple-tiered nature of the $800m credit for the Kingdom of Denmark. This borrower has never before turned to a prime base. Now it wants $500m priced over prime as part of its search for new markets.

Spreads look set to stay very fine in the Far East, more so after the striking ½ per cent spread on the eight-year $300m credit for Korea's Eximbank.

For most other borrowers, however—and their bankers, too—a firm direction for 1982 is still lacking.

D. Campbell-Smith

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Bridgestone Tyre §‡	70	1996	14	5¼	100	Daiwa Secs., Merrill Lynch	5.500
Toray Inds. ‡	50	1987	5	10¼	100	SG Warburg, Nomura Intl.	10.250
McDonnell Douglas	50	1989	7	*	*	Merrill Lynch	*
Honda Motor Co.§	80	1997	15	*	100	Nomura Intl., Merrill Lynch	*
Okumura Corp.§‡	30	1997	15	5¾	100	Daiwa	5.750
Gaz de France‡	150	1994	12	0	19.85	CCF	14.420
Pepsico‡	125	1994	12	0	20.75	CSFB	14.000
GMAC‡	400	1992	10	0	23.75	Salomon Bros.	14.510
GMAC‡	150	1988	6	16	100	Morgan Stanley	16.000
Societe Generale†‡	250	1995	13	5¼◊	100	Samuel Montagu	5.250◊
Credit National†‡	200	1994	12	5¼◊	100	Paribas, Salomon Bros., BNP, Goldman Sachs	5.250◊
IMI†‡	50	1992	10	5¼◊	100	Societe Generale	5.250◊
CANADIAN DOLLARS							
Toronto Dominion	25	1988	6	*	*	Continental Illinois	*
Bank of Montreal‡	75	1988	6	16¼	100	UBS Secs., Wood Gundy	16.750

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
D-MARKS							
Prov. of Quebec	150	1992	10	10¼	*	Commerzbank	*
Philip Morris‡	150	1989	7	9¼	100¼	Dresdner Bank	9.400
Tauernautobahn	50	1994	12	9¾	*	West LB	*
SWISS FRANCS							
Belgium**‡	100	1987	—	8	100	Kredietbank, Morgan Grenfell	8.000
Mitsubishi Gas **‡	40	1988	—	6¼	100	UBS	6.250
Japan Devel. Bank‡	100	1992	—	6½	99½	CS	6.821
Oest. Postsparkasse	100	1992	—	*	*	Kredietbank	*
CNT	100	1992	—	*	*	SBC	*
Tobu Stores**§‡	20	1987	—	6	100	Swiss Volksbank	6.000
Crown Zellerbach**‡	75	1987	—	7¼	100	UBS	7.250
Manitoba Province	100	1992	—	*	*	UBS	*
YEN							
Japan Airlines	8.6bn	1987	5	*	*	Daiwa Secs., Morgan Guaranty	*
Denmark‡	18bn	1994	12	8.4	99.85	Nikko Secs.	8.420
KUWAITI DINARS							
Enso-Gutzeit Oy‡	5	1989	5	10	99¼	KIC	11.940

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ◊ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. || Issue may also be sold on an FRN basis. Note: Yields are calculated on AIBD basis.

U.S. BONDS

Fed fails to shed light on outlook

LAST FRIDAY'S money supply report from the Federal Reserve failed to shed much light on the U.S. credit outlook—to the disappointment of Wall Street. If anything, it added to the confusion about the month-long crisis over the runaway money supply, setting an uncertain tone for the markets when they re-open today. President Reagan's discouraging budget proposals will not help either.

The "headline" figure was a $1.4bn drop in M1, which was the largest fall in a month but still well below the $3.5bn Wall Street was looking for. The Fed said, however, that the figures had been adjusted for various technical and seasonal reasons. Without these changes the fall would have been much bigger: $3.2bn, which was better.

But the Fed simultaneously released the minutes of its policy meeting on December 21 after the customary delay. These showed that it had sharply reduced the desired short-term growth range of M1 from 7 per cent in the final quarter of last year to 4-5 per cent in the first quarter of this year.

So even though money supply was down, the targets were down too, and the net result was little change.

Analysts were hard put to draw any firm conclusions from all this but the knowledge that the Fed is cracking down harder on M1 is bound to make the markets nervous. Interest rates were up across the board last week, particularly at the short end where a sharp jump in the Fed Funds rate yanked up yields on CDs, bills and commercial paper.

And Wall Street is in an especially vulnerable state. Last week's $10bn Treasury refunding — the largest of its kind — was not a success: it hit a weak and nervous market, and a large chunk of the paper (over 70 per cent by some estimates) ended up with dealers, rather than investors. This overhang will obviously be a big dampener in the days ahead, though dealers do not actually have to pay for it until February 15, which means they need not dump all of it immediately.

The Treasury escaped paying record interest on the short and intermediate segments of the refunding, where the market is a bit more resilient. But the long bond ($2.5bn over 30 years) went for a record 14.56 per cent. The Treasury has already indicated that its borrowing need will be large.

Wall Street is unlikely to react favourably to Mr Reagan's 1983 budget, released yesterday, which projects a $92bn deficit and even bigger deficits in succeeding years unless Congress agrees to vote huge spending cuts. The budget also points to a continuation of the present conflict between a loose fiscal and a tight monetary policy which has been one of the main reasons for high interest rates.

On Wednesday Mr Paul Volcker, the chairman of the Fed, will present to Congress the Fed's long term targets for monetary growth this year. He has already tentatively indicated a 2.5-5.5 per cent range for M1. But the White House has tried to persuade him to raise the upper band to allow more economic growth. There is keen interest as to whether he will yield on this point.

Anything he has to say about the money supply problem will obviously be lapped up, too. The Fed has conspicuously chosen not to raise its discount rate from 12 per cent to match the surge in other short-term rates. But it freely admonishes banks who borrow at the discount window, which has the same effect: discouraging reserve growth. Some people think a discount rate increase—or possibly reimposition of the surcharge — is still possible.

David Lascelles

U.S. INTEREST RATES (%)

	Week to Feb 5	Week to Jan 29
Fed. funds wkly. av.	15.44	14.24
3-month Treas. bills	13.65	13.06
3-month CD	15.25	13.90
30-year Treas. bonds	14.47	13.93
AAA Util.	16.75	16.25
AA Industrial	16.13	15.80

Source: Salomon Brothers (estimates).

APPM suffers further setback

BY OUR FINANCIAL STAFF

A DRAMATIC collapse in mid-term profits leading to a reduced dividend is reported by Associated Pulp and Paper Mills, the Australian manufacturer of fine papers.

Profits before tax for the six months to end 1981 have nose-dived to A$7.45m from A$26.17m a year earlier. The interim dividend is going down to 5 cents a share from 9 cents.

The outturn represents a further setback for APPM whose profits fell sharply in the second half of the year to last June. The pre-tax total for 1980-81 was A$39.1m and shareholders received an overall dividend of 18 cents.

The company, which is one of the largest industrial groups in Australia, says it has been hit by a combination of poor production, rising costs and a decline in its share of a weakening domestic market.

For the rest of 1981-82, APPM is confident of some recovery, although any upturn "will not compensate" for the poor first half. It also hinges on an improvement in demand and the avoidance of industrial action.

Sales in the six months ended 1981 were 3 per cent lower at A$179m, and poor output—largely as a result of industrial action—has plainly taken its toll of APPM's volume.

Costs were a headache, notably wages and APPM has also had to face up to fierce competition. "Imports continue at a high level and are increasing."

The company complains of the "artificially" high rate of the Australian dollar, and says a marked and substantial devaluation is necessary to restore the competitiveness of Australian manufacturers.

U.S. offshore banks pull in $60bn in first few weeks

BY DAVID LASCELLES IN NEW YORK

THE NEW American offshore banking industry has attracted more than $60bn in assets in the first six weeks of business, according to estimates prepared by Salomon Brothers based on data assembled by the Federal Reserve.

The industry got under way in early December after the Federal Reserve allowed banks to set up International Banking Facilities free from certain U.S. banking regulations to compete in the offshore markets, mainly the Euromarket.

IBFs created by U.S. banks have total assets of $33bn while foreign bank IBFs have assets of $28bn, showing that the overseas banking industry has been quick to establish itself in the new market.

Most of the assets in IBFs set up by U.S. banks were transferred from abroad, from branches in London, Luxembourg, Nassau and elsewhere, Salomon says. Foreign bank IBFs, however, drew the assets from their U.S. branches and agencies.

Although the $61bn total is a small fraction of the estimated $1,200bn worldwide offshore market, Salomon expects IBFs to get a further boost if and when the U.S. authorities allow them to issue negotiable certificates of deposit.

So far, the Fed has been against this because it would make the dividing line between offshore and domestic banking harder to enforce.

Hi-Shear to merge with Raybestos-Manhattan

BY OUR FINANCIAL STAFF

HI-SHEAR Industries, a major U.S. manufacturer of aerospace fastening systems and high pressure piping, has agreed in principle to merge with Raybestos-Manhattan, a large producer of brake and clutch linings and other automotive parts. The merger, which has still to be approved by shareholders of the two companies, would create a group, to be named Raymark, with annual sales of close to $500m according to a joint statement.

Under the proposed deal, which will be in the form of a tax-free merger, Raymark will issue one share of common stock for each of Hi-Shear's 4.6m outstanding shares and one share of convertible [illegible] for each of Raybestos' 2.7m outstanding shares. The convertible shares will be redeemable into 1.3 Raymark common shares.

Hi-Shear already owns some 30 per cent of Raybestos, which it acquired in January last year.

Raybestos announced over the weekend net profits for 1981 of $2.9m against a $6.3m loss in 1980, on sales of $342m, compared to $274m. Fourth quarter profits were $175,000 compared to a $7.3m loss on sales of [illegible] ($62m). Last year's figures include results of AVC, purchased in April 1981.

Hong Kong grants deposit licences

BY OUR FINANCIAL STAFF

THE HONG KONG Government has granted the first eight deposit-taking company licences since it introduced its new Deposit-Taking Companies Ordinance last year.

The eight are: Baring Bros. Asia; Canadian Eastern Finance; Jardine Fleming; Kleinwort Benson (HK); Nomura International (HK); Drion [illegible] Royal Pacific; Pierson Heldring and Pierson; and WestLB Asia.

Under the Ordinance, licensed deposit-taking companies [illegible] accept deposits of HK$500,000 and above for any period. Registered deposit-taking companies may accept deposits of HK$50,000, but for a minimum three-month period.

INTERNATIONAL APPOINTMENTS

Frab Group makes senior changes

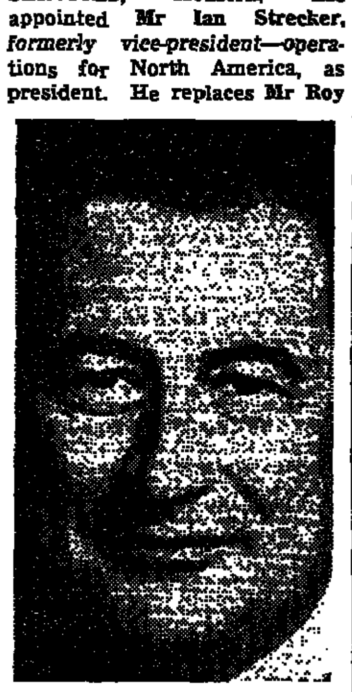
● M. Yves Bernard, chairman of Frab-Bank International, Paris, and Frab-Bank (Middle East) is resigning his appointments on March 31, following the purchase of the non-Arab shareholding in the FRAB GROUP by the National Bank of Kuwait. Mr Abdulaziz Hamad Al Sagar will become chairman of Frab-Bank International on that date and Mr Mohamed Abdul Mohsin Al Kharafi will take over as chairman of Frab-Bank (Middle East). Mr Tony Gedeon is joining the group from Morgan Guaranty and becomes general manager of Frab-Bank International. Mr John Athorne, a general manager of the National Bank of Kuwait, will be responsible for the overall supervision of the group's activities as well as continuing looking after the National Bank of Kuwait's overseas development.

● GOTAAS-LARSEN SHIPPING CORPORATION, Hamilton, Bermuda, has elected Mr Harry E. Fitzgibbons to the Board from February 1. He is a director of Hambros Bank, London, and is chairman of Anglo Nordic Shipping. He was with the corporate finance department of Lehman Brothers, New York investment bankers, from 1967 until 1972, when he moved to London to join Hambros. His relationship as an advisor to Gotaas-Larsen began at Lehman Brothers and has continued at Hambros over the past 10 years.

● ALPHA TELECOMMUNICATIONS AND TECHNOLOGY has appointed to its advisory board Mr Robert E LaBlanc, New York City, and Dr Delbert D. Smith, Washington D.C. Mr LaBlanc will also be consultant to the company. Dr Smith has just returned to his private consultancies in the field of satellite communications. The advisory board will also include Mr Paul M. Friedenbach, Redwood City, California, and Mr Marcel S. Mihaeloff, Lausanne, Switzerland. Alpha, a privately held company, has been formed to invest in publicity quoted shares in the telecommunications industry worldwide.

● SCANDINAVIAN BANK has opened a branch at Wilshire Boulevard, Los Angeles. The senior management of the new operation comprises: Mr Clint Arnoldus, executive vice-president; Mr Sture Devemark, senior vice-president; Mr Peter Holloway, vice-president, treasury and foreign exchange; Mr Andrew Straghalis, vice-president, operations; and Mr Michael Scott, chief dealer.

● SCHLUMBERGER WELL SERVICES, Houston, has appointed Mr Ian Strecker, formerly vice-president—operations for North America, as president. He replaces Mr Roy R. Shourd who has been transferred to Schlumberger in New York where he will assist the executive vice-president—oilfield operations.



Mr Ian Strecker

● HUNT INTERNATIONAL COAL AND TRADING CORP., Dallas, has appointed Mr Joe Cunningham as terminal manager of its Granada export terminal. He was port director of Gulfport, Mississippi. Ground breaking for the $100m Granada coal terminal has started, and purchase orders have been placed for major terminal equipment. Slated for full operation by mid-1983, the 1,000-acre terminal, about ten miles south of Baton Rouge, Louisiana, will have a throughput capacity of 15m tons of coal annually, accommodating 60,000 ton Panamax vessels. When dredging of the Mississippi River channel is completed, the terminal can accept colliers up to 150,000 dwt.

● GENERAL ACCIDENT has appointed M Michel Dreux, who was the Yorkshire Insurance Company manager for France, as its general manager for France.

● SANTOS, Australia's onshore energy producer, has made the following changes: Mr Des Wittwer, whose forthcoming retirement as executive general manager of BHP's oil and gas division was announced recently, has been appointed managing director of Santos. Mr John McArdle, managing director of Delhi Petroleum Pty, has been appointed commercial director. Dr John Armstrong, exploration manager of Santos, has become operations director, while Mr Clive Armour, commercial manager, is to be appointed group development manager. Dr John McKee, currently general manager-commercial for Woodhall in Sydney, has been appointed finance director of Santos. Until mid-1981 Dr McKee was finance director of Shell South Africa.

● AES Data has appointed a new managing director, Mr Jan Cornelisse, for its subsidiary company, DAISY SYSTEMS HOLLAND. He comes from Prime Computer Benelux BV where he was managing director.

● PHILIP MORRIS INTERNATIONAL has formed two new regions: one for the European Economic Community and one for the European Free Trade Association, Eastern Europe, the Middle East and Africa. Mr Aleardo G. Buzzi has been appointed president of the EEC region and Mr Walter Thoma has been named president of the EFTA region. Both will be based in Lausanne, Switzerland. Mr John Gibson is appointed executive vice president for the EFTA region, and Mr Staffan Gunnarsson is named executive vice president for the EEC region.

● Mr E. D. Klann has been appointed finance and administration controller of the Dutch subsidiary companies of the GRAYSTON GROUP. He will be responsible for all finance and administration matters within Grayston's holding company in the Netherlands, Nederlandse Kraanverhuur B.V., and the subsidiary companies, J. G. Van Loenhout B.V., and Van der Vorst Kraanverhuur B.V., situated at Rotterdam and Helmond. He will be based at Rotterdam.

● Dr Hans Els, Dr Peter Fahrni, Dr Jan Koch-Weser and Dr Guido Zanetti have been appointed managers of F. HOFFMANN-LA ROCHE & CO., Basle.

● A main board director of NOMURA SECURITIES CO., Tokyo, Mr Masaki Kurokawa has become president and managing director of Nomura International in London. Mr Akira Shimizu, the outgoing president and managing director has been appointed as general manager—overseas division in Tokyo.

● THE ROYAL BANK OF SCOTLAND has appointed Mr J. L. Stewart as senior representative at its Chicago office from February 1. He succeeds Mr Brian G. Hale who will be returning to the UK.

● Mr David Beretta is retiring as chairman of UNIROYAL from February 28, but will remain a director. President and chief executive officer Mr Joseph P. Flannery will assume the additional post of chairman on March 1.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 83	100	102½	103	+0½	+0⅛	15.75
APS Fin. Co. 17⅛ 86 ...	60	103⅞	104⅜	+0½	+0⅜	15.85
Armco O/S Fin. 15⅜ 86	50	98⅞	99⅜	+0¼	−0¼	15.60
Bank Montreal 16¼ 91	150	100	100½	+0⅛	−0⅞	16.16
Br. Colum. Hyd. 16¾ 88	100	101¼	101¾	+0⅛	0	15.81
Br. Colum. Mfa. 17 97	54	102⅜	103¼	+0¼	−0⅜	16.41
Can. Nat. Rail 14⅜ 91	100	93½	94	+0⅛	+0⅛	15.89
Caterpillar Fin. 16½ 86	100	101⅞	102⅜	+0⅛	0	15.80
CFMP 16¾ 96	100	101⅞	102⅜	−0⅛	−0⅜	16.32
CIBC 16¾ 91	100	101⅜	101⅞	+0⅛	−0¼	16.35
Citicorp O/S 16⅝ 86...	150	103¼	103⅞	+0⅛	−0⅛	15.60
Cities Service 17 88 ...	150	103	103½	+0¼	−0⅛	16.09
Cons.-Bathurst 17½ 88	60	102⅞	103⅜	+0⅛	−1⅛	16.70
CPC Fin. 16¾ 86	50	103	103½	+0⅜	+0⅛	15.62
Dupont O/S 14½ 88 ...	400	97⅛	97⅝	+0⅛	−0¼	15.11
EIB 16½ 88	100	100⅝	101⅛	+0½	−0½	16.17
EIB 16¾ 91	100	101¼	101¾	+0½	+0¼	16.38
GMAC O/S Fin. 16½ 84	300	100⅝	101⅛	+0⅛	−0½	15.91
Gulf States O/S 17½ 88	60	104½	104⅞	+0⅛	−0½	16.30
Japan Airlines 15¾ 88...	50	99⅞	100⅜	+0¼	0	15.18
Nat. Bk. Canada 16½ 88	40	100⅝	101⅛	+0⅛	+0¼	16.88
Nat. West 14¾ 91	100	95½	96	+0⅛	−0½	15.60
New Brunswick 17 88	60	104⅝	105⅛	+0⅛	+0½	15.67
Newfoundland 17¼ 89...	60	106½	107	+0⅛	0	15.61
New & Lab. Hy. 17¾ 89	75	104½	104⅞	+0¼	+0⅛	16.17
Ohio Edison Fin. 17½ 88	75	103½	104	0	+0⅞	16.46
OKG 15¾ 97	50	97⅛	97⅝	+0⅛	−0⅜	16.79
Ontario Hyd. 16 91 (N)	200	100⅝	101⅛	+0⅛	0	15.78
Pac. Gas & El. 15¾ 89	80	98⅜	99⅜	+0⅛	−0⅜	15.98
Quebec Hydro 17⅛ 91	150	103⅞	104¼	0	−0⅞	16.34
Quebec Province 15⅞ 89	150	95⅛	95⅞	−0¼	−1⅛	16.24
Saskatchewan 16⅜ 88	100	101	101½	+0⅛	−0⅛	15.88
Statsforetag 15¾ 87 ...	50	98	98½	0	−0⅛	16.27
Sweden 14½ 88	150	93⅜	93⅞	+0¼	+0½	16.07
Swed. Ex. Cred. 16½ 93	75	100⅞	101⅜	+0⅛	−0⅛	16.24
Tenneco Int. 17 89	100	104	104½	+0⅛	−0⅛	15.93
Texas Eastern 16⅞ 88...	75	99⅛	99⅝	+0¼	0	16.00
Transcanada 17¾ 88 ...	75	106	106½	+0⅛	−0¼	16.07
Transcanada 16 89 ...	100	98⅞	99⅜	0	−0⅛	16.16
Walt Disney 15¾ 86 ...	100	102	102½	+0½	+0⅛	14.95
Winnepeg 17 86	50	103¼	103¾	+0⅛	+0⅞	15.81
WMC Fin. 15½ 88	50	96⅞	97⅜	0	−0⅛	16.25
World Bank 16 88 ...	80	100⅝	101⅛	+0¼	+0½	15.71
World Bank 16½ 86 ...	130	102½	103	+0⅛	+0⅛	15.54
World Bank 16½ 88 ...	100	101⅜	102⅛	+0⅛	+0⅛	15.92

Average price changes... On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	99⅞	100⅜	0	+0⅛	9.95
Asian Dv. Bank 10⅜ 89	100	101⅞	102⅜	−0¼	−0⅜	10.34
Australia 9¾ 91	300	98⅞	99⅜	+0¼	−0¼	9.49
Belgelectric 11 91	100	101½	101⅞	0	−0⅜	10.72
CECA 10 91	120	99⅞	100⅜	−0½	−1	9.95
Coun. of Europe 10 91	100	99⅜	100½	+0⅜	−1⅛	9.97
Coun. of Europe 10¼ 91	100	100⅝	101⅛	+0⅛	−0⅛	10.09
EEC 10⅛ 93	100	100½	101⅛	0	0	9.98
EIB 8½ 90	200	92½	92⅞	−0¼	−0⅜	9.81
EIB 10½ 91	200	102⅜	102⅞	0	−0⅛	10.02
Finland, Rep. of 10½ 86	100	100⅝	101⅛	0	−0⅛	10.20
Inter-American 10 91...	100	100	100⅜	+0⅛	+0⅛	9.93
Inter-American 10¼ 91	100	100⅞	101½	+0⅛	0	10.05
Ireland 10⅛ 86	100	99⅞	100⅜	0	−0⅛	10.08
Japan Air Lines 8¼ 87	100	95⅜	95⅞	−0¼	−0⅛	9.03
Midland Int. Fin. 8½ 90	150	93⅜	94⅛	0	0	9.53
Mt. Bk. Dnmk. 10½ 91	100	99⅞	100⅜	0	−0⅜	10.48
New Zealand 9¾ 89 ...	200	100⅛	100⅞	+0¼	−0⅛	9.64
OKB 10⅛ 91	150	100½	101	+0⅛	−0⅛	9.99
Quebec Hydro 10¾ 91...	150	101⅜	102⅛	−0⅛	−0½	9.91
Renault Acpt. 10¾ 86	150	100⅜	100⅞	0	−0⅛	10.56
Swed. Ex. Cred. 10¼ 91	100	99⅜	99⅞	−0⅛	−0¼	10.30
World Bank 10 91 ...	250	100	100½	+0⅛	−0⅛	9.95

Average price changes... On day 0 on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91...	80	93½	93¾	−0⅛	−0⅛	7.48
Asian Dev. Bank 8 90	80	101½	101¾	0	−0¼	7.73
BFCE 6½ 91	100	†94	95	0	0	7.35
Belgelectric Fin. 7¼ 91	100	101¼	101¾	0	−0¼	7.51
Bell Canada 7¼ 93	100	104	104¼	0	−1	6.73
Bergen, City of 6¾ 91	40	100	100¼	0	0	6.73
Bet. de Autopistas 8 90	50	99⅛	99⅜	0	−0⅞	8.12
CECA 6¾ 91	80	†98	98½	−0⅛	−1⅛	7.01
Dome Petroleum 5⅞ 91	100	92½	93	−0¼	−0¼	6.83
Dome Petroleum 7¼ 90	100	102½	102¾	−0½	−1	6.82
Franc. Petroles 6½ 91...	80	95	95½	+0⅛	−1⅛	7.22
Genstar 7 91	100	101¾	102	+0⅛	−0¼	6.71
Int. Amer. Dv. Bk. 7 91	100	98⅜	98⅞	+0⅛	−0⅛	7.18
I/S Elsam 8½ 91	60	†103½	104	−0⅛	−0⅞	7.92
Japan Air Lines 7¼ 91	100	†103	103¼	+0⅛	−1	6.80
Neder. Gasunie 8 91...	100	106	106¼	−0⅛	−0½	7.10
OKB 7 93	100	99	99¼	+0¼	0	7.11
OKB 7⅛ 91	100	100	100¼	0	−1	7.23
Oslo, City of 8 91	100	105	105¼	−0¼	−0¼	7.24
Saint Etienne 8½ 91 ...	20	104⅝	104⅞	+0¼	−0⅛	7.78
Swed. Ex. Credit 7¼ 91	75	†98	98¼	+0⅛	+1	7.53
TNT O/S Fin. 8 91 ...	50	†104	104¼	−0½	−0⅛	7.39
Unilever NV 7½ 93 ...	100	105⅛	105½	+0¼	−0¼	6.82
World Bank 6 91	100	†92	93	+0½	−0⅛	7.15
World Bank 7 90	100	98½	98¾	−0⅛	−1½	7.22
World Bank 8 91	100	103⅛	103⅜	+0⅛	−0¼	7.47

Average price changes... On day 0 on week −0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 91	15	98⅞	99⅜	0	−0½	8.44
Australia 6½ 86	20	90½	91¼	0	−0⅞	8.44
EIB 7⅝ 89	12	98⅞	99⅜	0	0	7.99
Finland, Rep. of 8⅛ 87	15	98½	99½	0	−0¼	8.60
Int.-Amer. Dev. 8⅞ 91...	15	101¼	102¼	0	−0½	8.58
New Zealand 8⅛ 87 ...	15	99⅝	100⅝	0	−0½	8.33

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 96 C$	50	†97½	98	−0¼	−0¼	17.40
Federal Dev. 17¾ 86 C$	40	†102¾	103½	0	−0¼	16.79
GMAC (Can.) 16 87 C$	60	†104⅜	105⅛	−0¼	−1	16.42
Pancanadian 16½ 86 C$	55	†97⅛	97⅝	−0½	−1	17.11
Queb. Urban 16¾ 86 C$	20	†100	101	0	0	16.54
Roynat 17¾ 86 C$	40	†100½	101	0	−0½	16.96
Tordom Cpn. 13½ 85 C$	30	†93	93½	−0¼	−0¼	16.23
M. Bk. Dnmk. 9 91 EUA	25	84⅜	85⅜	0	+0⅛	11.53
SOFTE 8¼ 89 EUA	40	77⅜	79	0	−0⅛	13.05
U. Bk. Nwy. 9½ 90 EUA	18	91⅛	92⅛	0	−0¼	11.06
Algemene Bk. 10¼ 86 Fl	60	97⅜	98⅛	+0⅛	−0½	10.91
Amfas Group 12¼ 86 Fl	40	102¼	102¾	−0⅛	−0¼	11.47
Amro Bank 12 86 Fl ...	75	101⅛	101⅝	−0⅛	0	11.50
Amro Bank 12 86 Fl ...	60	101⅛	101⅝	−0⅛	−0⅛	11.50
Heineken NV 10 87 Fl...	100	96⅜	97⅛	0	+0⅛	10.76
Pierson 10⅜ 86 Fl	50	97⅛	97⅞	+0⅛	+0⅛	11.03
Rabobank 12 86 Fl	50	101	101½	−0⅛	0	11.57
Air France 14¼ 86 FFr...	200	93⅜	94⅛	−0⅛	+0⅛	16.49
Bk. America 14½ 86 FFr	250	92⅞	93⅜	0	+0⅛	16.78
Charb'nages 13¾ 85 FFr	400	93⅛	94⅛	0	+0⅛	15.98
EIB 14⅛ 88 FFr	300	89⅛	90⅛	+0⅛	+0⅛	16.87
La Redoute 14¼ 85 FFr	125	91⅛	92⅛	−0⅛	+0⅛	17.43
OKB 14 86 FFr	400	92⅛	93⅛	−0⅛	0	16.41
Solvay et C. 14¾ 86 FFr	200	92⅜	93⅛	−0⅛	+0⅛	17.18
Swed. E. Cr. 14¾ 86 FFr	250	93⅜	94⅜	0	+1⅛	16.63
U. Mex. Sts. 14 85 FFr	150	91⅛	92⅛	0	+0⅛	17.31
Acona 14 85 £	20	91	92	0	0	17.15
Beneficial 14½ 90 £	20	84⅞	85⅜	0	−0⅛	17.63
BNP 13½ 91 £	15	84⅜	85⅛	−0⅛	−0⅛	16.85
CECA 13½ 88 £	20	89⅜	90⅛	0	−0⅛	16.05
Citicorp O/S 13½ 90 £	50	89⅜	90⅛	−0⅛	−0⅛	15.82
Fin. Ex. Cred. 13½ 86 £	15	90⅞	91⅞	−0⅛	−0⅛	16.88
Gen. Elec. Co. 12½ 89 £	50	85½	86¼	−0⅛	−0⅛	15.94
Hiram Walker 14½ 86 £	25	93⅜	94⅛	+0⅛	−0⅛	16.23
Privatbanken 14½ 88 £	12	89½	90⅛	−0⅛	−1	17.16
J. Rothschild 14½ 90 £	12	92⅞	93⅞	−0⅛	−0⅛	15.68
Royal Trustco 14 86 £...	12	93⅛	94⅛	+0⅛	−0⅛	16.19
Swed. Ex. Cr. 13¾ 86 £	20	91⅞	92⅞	−0⅛	−0⅛	16.45
Akzo 9⅜ 87 LuxFr	500	85⅜	86⅜	0	+0⅛	12.75
Euratom 9¾ 88 LuxFr ...	500	87⅛	88⅛	0	+0⅛	12.81
Eurofima 10½ 87 LuxFr	500	92⅛	93⅛	0	+0⅛	12.28
EIB 9¾ 88 LuxFr	600	88⅛	89⅛	+0⅛	+0⅛	12.40
Volvo 9⅞ 87 LuxFr	500	86	87	0	0	13.20

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99⅜	99⅞	18/6	14¾	14.32
Bank of Montreal 5¼ 91	0¼	99⅜	99⅞	29/4	17.06	17.13
Bank of Tokyo 5¼ 91 ...	0¼	99⅞	100⅛	10/6	13¾	13.25
Bk. Nova Scotia 5¼ 93	0¼	99⅞	100	29/4	17.06	17.11
BBL Int. 5 88	0¼	99⅜	99⅞	20/5	13½	13.55
BFCE 5¼ 88	0¼	99⅞	100⅜	26/4	16.94	16.96
BFCE 5¼ 87	0¼	99⅞	100⅜	27/7	16⅛	16.27
Christiania Bk. 5½ 91...	‡0¼	99	99½	5/2	15.56	15.68
Co-Ban Eurofin 5½ 91...	0¼	99⅜	99⅞	14/4	16.89	16.88
Den Norske Cred. 5½ 93	0¼	97⅜	97⅞	4/8	13.56	13.91
Genfinance 5¼ 92	0¼	99⅞	100	30/6	15½	15.54
Giro und Bank 5¼ 91 ...	‡0¼	99⅛	99⅝	23/3	14.06	14.15
GZB 5¼ 92	‡0¼	98⅞	99⅜	5/3	13⅛	13.27
Ind. Bank Japan 5¼ 88	0¼	98⅞	99⅜	3/5	13.31	13.52
Lloyds Eurofin 5¼ 93 ...	§0¼	99⅞	100	29/4	17.13	17.17
LTCB Japan 5¼ 89	0¼	99	99½	16/7	15.31	15.43
Midland Int. Fin. 9 91	0¼	99⅞	100⅛	30/4	17.06	17.06
Nacional Fin. 5½ 88 ...	0¼	†97⅛	97⅝	25/3	17.31	17.76
Nat. Bk. Canada 5¼ 88	0¼	99⅞	100⅛	24/3	17.31	17.33
Nat. West. Fin. 5¼ 91...	§0¼	99⅜	99⅞	15/7	15.19	15.28
Nat. West. Fin. 5¼ 92...	§0¼	99⅞	100⅛	23/4	17	17.02
Nordic Int. Fin. 5½ 91...	0¼	98½	99	6/5	15⅞	15.92
Offshore Mining 5¼ 91	0¼	98⅛	98⅝	2/6	13	13.18
Pemex 6 91	0¼	97⅛	97⅝	8/4	17	17.44
PKbanken 5 91	0¼	98⅜	98⅞	17/6	14¼	14.52
Sanwa Int. Fin. 5¼ 88...	0¼	†99⅜	99⅞	24/8	17⅛	17.31
Scotland Int. 5¼ 92......	0¼	98⅜	98⅞	23/3	13.94	14.17
Sec. Pacific 5¼ 91	0¼	98⅜	98⅞	24/5	13⅛	13.43
Societe Generale 5¼ 91	0¼	99⅜	99⅞	22/7	15¼	15.36
Standard Chart. 5¼ 91	0¼	97⅞	98⅜	18/5	13.31	13.57
Sumitomo Fin. 5½ 88...	0¼	99	99½	6/2	19.56	19.71

Average price changes... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	99	100¼	+0¼	3.86
Bow Valley Inv. 8 95 ...	4/81	23.12	196	98	−0¼	39.59
Canon 6¾ 95	1/81	829	107⅛	108⅛	−0¼	4.37
Daiwa Secs. 5½ 96	12/81	513.3	174⅛	76½	+1½	−3.71
Fujitsu Fanuc 4½ 96 ...	10/81	6770	109	110½	+1⅛	6.36
Furukawa Elec. 5¼ 96 ...	7/81	300	122	124½	+0⅞	−3.40
Hanson O/S Fin. 9½ 96	8/81	2.74	185	86	0	78.29
Hitachi Cred. Cpn. 5 96	7/81	1773	85⅛	87⅛	+0⅛	5.00
Inchcape 8 95	2/81	4.55	185⅛	87	+0⅛	12.58
Kawasaki 5¼ 96	9/81	229	78⅛	79⅛	−0⅛	5.85
Marui 6 96	7/81	931	105⅛	106⅛	+2⅛	13.77
Matsushita El. 7½ 95 ...	11/80	590	87⅛	89	+0⅛	5.53
Minolta Camera 5 96 ...	10/81	509	71⅛	72⅛	+0⅛	9.98
Minorco 9⅛ 97	5/82	8.16	196⅛	97⅛	+0⅛	4.93
Murata 5⅛ 96	7/81	2190	77⅛	79	+0⅛	22.02
NKK 6½ 96	7/81	188	77⅛	79	+1⅛	0.85
Nippon Chemi-C. 5 91...	10/81	519	73	75	0	4.00
Nippon Electric 5⅛ 97...	2/82	846	102⅛	103⅛	−0⅛	2.10
Orient Finance 5⅛ 97 ...	2/82	1567	94	95⅛	+0⅛	8.69
Sanyo Electric 5 96	10/81	652	78⅛	79⅛	+0⅛	7.67
Sumitomo Met. 5⅛ 96...	10/81	305	80⅛	81⅛	+0⅛	6.48
Swiss Bk. Cpn. 6⅛ 90...	9/80	191	172⅛	74⅛	+1	19.74
Taylor Woodrow 8⅛ 90	1/81	4.94	187	88	+1	−4.04
Union Bk. Switz. 5 89 ...	2/80	70.79	182⅛	84⅛	+2	9.46
Konishiroku 6 90 DM ...	2/82	586	101	102	−0⅛	0.22
Mitsubishi H. 6 89 DM	2/82	263	101	102	−0⅛	4.38

EUROBOND TURNOVER (nominal value in $m)

	Cedel	[illegible]
U.S. $ bonds		
Last week	4,546.3	7,0[illegible]
Previous week	2,804.5	4,8[illegible]
Other bonds		
Last week	945.9	6[illegible]
Previous week	732.2	4[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

WORLD STOCK MARKETS

HONG KONG

1981/82 High	Low	Feb. 5	Price H.K. $
38.75	18.5	Cheung Kong	19.7
3.55	2.00	Cosmos Prop	2
11.7	7.90	Cross Harbour	10.9
176	99.5	Hang Seng Bank	125
8.75	4.20	HK Electric	5.3
10.80	5.00	HK Kowloon Wh.	5.2
14.8	7.6	HK Land	9.1
20.1	12.2	HK Shanghai BK.	14.80
31.25	16.8	HK Telephone	28.6
25.5	13	Hutchison Wpa	17.3
27.70	12.3	Jardine Math	18.8
7.30	4.05	New World Dev.	4.7
7.60	4.15	O'seas Trust Bk.	5.75
21.60	7.2	SKH Props	7.9
20.3	9.7	Swire Pac A	11.0
9.10	4.95	Wheel'k Mard A.	6.45
6.0	4.10	Wheel'k Mariti'e	5.20
5.40	2.00	World Int. Hldgs.	2.57

JAPAN

1981/82 High	Low	Feb. 6	Price Yen
1,020	745	Ajinomoto	947
911	540	Amada	665
713	378	Asahi Glass	688
620	431	Bridgestone	457
1,870	710	Canon	929
467	315	Citizen	319
775	559	Daiei	650
500	399	DKBO	470
995	800	Tokyo Elect.Pwr.	937
132	103	Tokyo Gas	115
643	440	Tokyo Sanyo	480
241	147	Tokyu Corp	216
526	214	Toshiba	373
560	410	TOTO	413
495	390	Toyo Seikan	430
1,640	724	Toyota Motor	1,020
4,380	2,400	Victor	2,770
860	671	Wacoal	745
1,210	722	Yamaha	890
651	510	Yamazkia	555
378	240	Yasuda Fire	240
705	497	Yokogawa Bdge.	532

SOUTH AFRICA

1981/82 High	Low	Feb. 5	Price Rand
4.55	2.80	Abercom	4.10
10	7.40	AE & CI	9.8
18.45	14.40	Anglo Am.	15.55
133.0	85.5	Anglo Am. Gold	91.0
3.85	1.00	Anglo Am. Prop.	3.55
11.2	9.10	Barlow Rand	10.30
57.25	34.25	Buffels	40.0
7.80	4.25	CNA Invest	7.5
3.05	1.90	Currie Finance	2.8
10.90	8.30	De Beers	8.50
37.25	24.75	Driefontein	28.00
65.00	35.5	FS Geduld	40.0
110	54.0	Gold Fields S.A.	80.0
5.40	4.00	Highveld Steel	5.4
9.75	5.70	Huletts	9.5
43.75	28.00	Kloof	36
6.75	5.30	Nedbank	6.65
24	15.00	OK Bazaars	19.60
3.7	2.80	Protea Hldgs	3.30
12.1	6.35	Rembrandt	10.8
5.75	3.00	Rennies	5.75
7.00	4.8	Rust Plat	5.10
3.05	2.00	Sage Hldgs	3.0
5.15	3.25	SA Brews	4.92
22	15.00	Tiger Oats	21.5
3.7	2.50	Unisec	3.7

Financial Rand US$0.78¾
(Discount of 23¾%)

BRAZIL

1981/82 High	Low	Feb. 5	Price Cruz
1.90	0.76	Acesita	1.65
11.90	3.05	Banco Brasil	11.90
1.57	1.40	Banco Itau	1.55
4.89	1.80	Belgo. Min.	3.70
7.30	2.80	Logas Amer.	7.30
9.90	2.12	Petrobras PP	9.10
1.90	1.05	Pirelli OP	1.90
9.95	2.05	Souza Cruz	8.20
8.00	4.65	Unip PE.	8.00
13.45	4.50	Vale Rio Doce	10.80

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Malaysia may cut tin production

MALAYSIA yesterday criticised major tin-consuming countries and said producers might set up their own marketing arrangements and cut output, Reuter reports from Kuala Lumpur.

Malaysia, the world's biggest tin producer, has protested to the U.S., the largest consumer of the metal, over the release of tin stockpiles on the international market.

Primary Industries Minister Datuk Paul Leong also complained about changes in London tin market regulations.

The London Metal Exchange, faced with a buyers' scramble for supplies to meet obligations to an unknown buyer, last week decided to limit the penalty paid by sellers for deferring their commitments until tin is more readily available.

MONEY MARKETS

COLIN MILLHAM

Bothered and bewildered

LONDON short-term interest rates were virtually unchanged last week as money markets appeared totally bemused by the conflicting pressure on U.S. rates. The picture was even *more confused by a further cut* in the Bank of England money market dealing rates at the beginning of the week.

This reduction in the rates at which the authorities buy bills from the market came on the same day that U.S. rates threatened to go through the *roof following another disappointing* set of money supply figures.

Market rates for one-month bills reacted to the cut in the dealing rate, but longer term bills were more influenced by trends on the other side of the *Atlantic, while interbank rates* were also slightly firmer.

From that point the market appeared to give up trying to guess what would happen next, and the rest of the week was spent with no real yield curve. *Interbank rates from one to 12* months jogged along at 14½-14⅝ per cent, awaiting the next set of U.S. money supply figures, which were again expected to show a decline.

While London and most of Europe *remained dormant*, hoping that the plans to reduce *interest rates were not to be* scuppered so soon after conception, U.S. rates became even more volatile than usual. Indications that the Federal Reserve had probably tightened its monetary stance in the face of *the money supply problems* pushed Federal funds up to 16½ per cent on Wednesday. Bank prime rates rose to 16¼-16½.

Rates then eased, but the situa*tion became very confused when* the U.S. Administration appeared to issue a statement suggesting that action would be taken in the next few weeks to *bring down interest rates.*

WEEKLY CHANGE IN WORLD INTEREST RATES

	Feb. 5	change		Feb. 5	change
LONDON			**NEW YORK**		
Base rates	14	Unch'd	Prime rates	16¼-16½	+¾
7 day interbank	14 1/16-14⅛	−1/16	*Federal funds*	15¼-15½	+1⅛
3 mth interbank	14½-14⅝	+1/16	3 mth Treasury Bills	13.82	+1.59
Treasury Bill Tender	13.5681	−0.0559	6 Mth. Treasury Bills	13.82	+1.21
Band 1 Bills	13⅞	Unch'd	3 Mth. CD	15.37	+1.42
Band 2 Bills	13 13/16	−1/16	**FRANKFURT**		
Band 3 Bills	13¾	−⅛	*Special Lombard*	10	Unch'd
3 Mth. Treasury Bills	13⅝-13⅞	+⅛	One Mth. Interbank	9.625	−0.275
1 Mth. Bank Bills	13⅞	Unch'd	Three month	10.225	−0.075
3 Mth. Bank Bills	13¾-13 13/16*	+⅛	**PARIS**		
TOKYO			Intervention Rate	14¾	Unch'd
One month Bills	6.71875	Unch'd	1 Mth. Interbank	15	−1/16
Three month Bills	6.59375	Unch'd	Three month	15⅛	−1/16
BRUSSELS			**MILAN**		
One month	14¾	−⅞	*One month*	20 1/16	−⅛
Three month	15¼	Unch'd	Three month	21½	−1/16
AMSTERDAM			**DUBLIN**		
One month	10 1/16	+⅛	One month	18 1/16	+⅛
Three month	10 1/16	Unch'd	Three month	18 1/16	+1/16

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and *band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or* selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market, and their respective changes during the week. * Band 4 (64-91 days) 13¾.

BANK OF ENGLAND TREASURY BILL TENDER

	Feb. 5	Jan. 29		Feb. 5	Jan. 29
Bills on offer*	£100m	£100m	Top accepted rate of discount	13.5973%	13.5371%
Total of applications	£248.935m	£385.47m	Average rate of discount	13.5681%	13.5122%
Total allocated	£100m	£100m	Average yield	14.04%	13.98%
Minimum accepted bid	£96.61	£96.625	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	74%	27%			

92 day bill is allotted at £96.59

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 15 9/16	offer 15 11/16

6 months U.S. dollars	
bid 15 1/2	offer 15 5/8

The fixing rates (Feb 5) are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Feb. 5 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	10-15½	14¼-14⅜	—	—	14¼	13-14 1/16	—	—	—
2 days notice	—	—	14¼-14⅜	—	—	—	—	—	—	—
7 days or 7 days notice	—	14 1/16-14⅛	14¼-14⅜	—	—	14¼-14⅜	14	—	—	—
One month	14 1/16-14¼	14¼-14⅜	14¼-14½	15⅛-14⅞	14¾	14⅜	14	13½-13⅝	13⅞	14⅛
Two months	14 1/16-14¼	14½-14⅝	—	15-14¾	14½	14⅜	13½-13⅝	13⅝-13½	13⅞	14¼
Three months	14¼-14⅜	14½-14⅝	14⅜-14½	14⅞-14⅝	14½	14⅜	13½-13⅝	13⅝-13½	13 13/16-13⅞	14⅛
Six months	14⅜-14½	14½-14⅝	14⅜-14½	14 13/16-14⅝	14½	—	—	—	13⅝-13½	14⅛
Nine months	14⅜-14½	14⅝-14¾	—	14⅞-14⅝	14⅝	—	—	—	—	—
One year	14⅜-14½	14⅝-14¾	14⅜-14½	14⅝-14⅜	14⅝	—	—	—	—	—
Two years	—	—	14⅜-14⅜	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 14¾-15 per cent; four years 14¾-15 per cent; five years 15 per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13¾ per cent; four months trade bills 14⅛ per cent.

Approximate selling rate for one month Treasury bills 13⅝-13 21/32 per cent; two months 13½-13⅝ per cent; three months 13 1/32-13⅛ per cent. Approximate selling rate for one-month bank bills 13¾-13 25/32 per cent; two months 13⅝-13 11/16 per cent and three months 13 19/32-13⅝ per cent; one month trade bills 14⅛ per cent; two months 14⅛ per cent; three months 14 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15½ per cent from February 1 1982. Clearing Bank Deposit Rates for sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.5681 per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Feb. 5	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14⅛-14⅜	15½-15⅝	14-15	10⅛-10¼	1½-2¼	9⅞-10	14⅞-15⅛	17-19	12-14	5⅝-5¾
7 days' notice	14⅛-14⅜	15⅛-15⅜	14-15	10⅛-10¼	2⅝-3	9⅞-10⅛	15⅛-15¼	18⅝-21⅛	13-15	5⅝-5¾
Month	14⅛-14⅜	15⅛-15⅜	15⅛-15¾	10⅛-10¼	7-7½	10⅛-10¼	15⅛-15⅜	20⅝-21⅛	16⅛-17⅜	6⅛-6¼
Three months	14⅝-14⅜	15⅝-15⅞	15⅝-15⅞	10⅛-10¼	8⅛-8⅝	10⅛-10¼	15⅝-15⅞	22⅛-22⅞	17⅛-18⅛	6⅛-6⅜
Six months	14⅝-14⅜	15⅝-15¾	15⅝-16	10⅛-10¼	8⅝-9	10⅛-10¼	16⅛-16⅜	22⅛-23⅛	18-18⅛	6⅛-6⅜
One Year	14⅝-14⅞	16⅛-15⅝	16⅛-16⅜	10⅛-10⅜	8⅝-8⅞	10⅛-10⅜	17-17⅝	23⅛-24	17⅛-18	6⅛-6⅞

SDR linked deposits: one month 13-13⅛ per cent; three months 13⅛-13¼ per cent; six months 13⅛-13¼ per cent; one year 13⅛-13⅜ per cent.
ECU linked deposits: one month 13⅛-13¼ per cent; three months 13⅞-13⅞ per cent; six months 13⅞-14⅛ per cent; one year 13⅞-14⅛ per cent.
Asian $ (closing rates in Singapore): one month 15⅛-15¼ per cent; three months 15⅝-15⅝ per cent; six months 15½-15⅝ per cent; one year 15⅞-15⅝ per cent. Long-term Eurodollar two years 15⅞-16⅛ per cent; three years 16-16⅛ percent; four years 16-16⅛ per cent; five years 15¾-16⅛ per cent nominal closing rates. The following rates were quoted for London dollar certificates of deposit: one month 15.29-15.35 per cent; three months 15.40-15.50 per cent; six months 15.50-15.60 per cent; one year 15.55-15.65 per cent.

CURRENCIES AND GOLD

Dollar firm

Bad news was good for the dollar once again last week, as further disappointment at the U.S. money supply figures led to an increase in U.S. and Euro-dollar interest rates. The money supply did show a small reduction, but not nearly enough to compensate for the recent sharp rise. Encouraging figures are now required over the next few weeks, rather than comforting words from various officials. Mr Paul Volcker, chairman of the Federal Reserve Board, recently stated that money supply growth would soon be reversed, but this is now regarded with great scepticism. The air of suspicion was only increased by the denial last week that the Administration intended to take action to reduce interest rates.

Expectation of continuing high U.S. interest rates pushed the dollar up to DM 2.37 against the D-mark at one time on Tuesday, and although it fell back to DM 2.3460 at the close on Friday, this was an increase from DM 2.3155 at the end of the previous week. The U.S. currency touched a peak of FFr 6.0275 in terms of the French franc, before finishing the week at FFr 5.9710, compared with FFr 5.8960 on the previous Friday. It rose to SwFr 1.8860 from SwFr 1.8475 against the Swiss franc and to Y233.60 from Y228.25 against the Japanese yen.

On Bank of England figures the dollar's trade-weighted index rose to 111.3 from 109.8, while sterling's index eased to 91.6 from 91.7.

The pound fell to $1.8580 from $1.8805-1.8815 against the dollar, but improved against Continental currencies and the yen, despite a weaker trend on *Friday following news of a cut* in the price of North Sea oil.

The Irish punt followed a rather erratic course in the European Monetary System, gaining ground over most of the week, but weakening again on Friday. The Dutch guilder and French franc were close together once more at the top of the system, while the Belgian franc was slightly weaker, but well within its divergence *limit*, as the lowest placed member.

Gold lost ground *initially* on the firmer dollar trend, but then improved as doubts about U.S. interest rates and the future direction of the dollar affected sentiment. It finished at $383¾-384¾, a fall of $2¾ on the week.

THE POUND SPOT AND FORWARD

Feb 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8525-1.8720	1.8580-1.8600	0.15-0.25c dis	−1.29	0.55-0.65dis	−1.29
Canada	2.2275-2.2620	2.2400-2.2420	0.10-0.20c dis	−0.80	0.50-0.60dis	−0.98
Nethlnd.	4.76¾-4.80¼	4.78¼-4.79¼	1½-1¼c pm	3.76	5¼-4¾ pm	4.08
Belgium	74.00-74.70	74.45-74.55	10-30c dis	−3.22	82-92 dis	−4.13
Denmark	14.23-14.33	14.28-14.30	2-3ore dis	−2.10	8¼-7¾ dis	−1.92
Ireland	1.2365-1.2440	1.2390-1.2410	0.33-0.45p dis	−3.77	1.19-1.34dis	−4.08
W Ger	4.34¼-4.38¼	4.35¼-4.36¼	1½-1¼pf pm	4.13	4¾-4¼pf pm	4.13
Portugal	126.75-128.50	127.00-127.30	45-165c dis	−9.91	145-415 dis	−8.81
Spain	184.50-186.00	184.60-184.80	5-30c dis	−1.14	60-85 dis	−1.57
Italy	2,322-2,340	2,328-2,330	11¼-14¼ lire dis	−6.57	44-47 dis	−7.81
Norway	10.98-11.09	11.02¼-11.04¼	1-¼ore pm	[illegible]	[illegible]	[illegible]
France	11.04-11.13	11.09¼-11.10¼	1½-2c dis	−0.54	3-4c dis	−1.26
Sweden	10.58-10.69	10.63-10.64	[illegible]	[illegible]	[illegible]	[illegible]
Japan	430-438	433¾-434¾	2.50-2.60y pm	7.60	8.70-8.40 pm	7.88
Austria	30.40-30.65	30.50-30.55	16½-11½gro pm	5.11	38½-31 pm	4.55
Switz.	3.49-3.53	3.50½-3.51½	1¾-1½c pm	5.83	5¼-5c pm	6.76

Belgian rate is for convertible francs. Financial franc 83.15-83.25. Six-month forward dollar 1.02-1.12c dis. 12-month 1.70-1.80c dis.

THE DOLLAR SPOT AND FORWARD

Feb 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8525-1.8720	1.8580-1.8600	0.15-0.25c dis	−1.29	0.55-0.65dis	−1.29
Ireland†	1.4970-1.5110	1.5000-1.5020	[illegible]	2.63	1.15-1.00 pm	2.85
Canada	1.2047-1.2067	1.2059-1.2062	0.04-0.01c pm	0.25	0.07-0.03 pm	0.16
Nethlnd.	2.5560-2.5770	2.5740-2.5770	1.10-1.02c pm	5.01	3.42-3.32 pm	5.25
Belgium	39.77-41.09	41.07-41.09	1-6c dis	−1.05	18-24 dis	−2.11
Denmark	7.6425-7.7000	7.6900-7.7000	[illegible]	[illegible]	1.25-1.75dis	−0.78
W. Ger.	2.3285-2.3625	2.3455-2.3465	1.06-0.96pf pm	5.19	3.20-3.15 pm	5.41
Portugal	68.35-68.65	68.40-68.80	[illegible]	−8.78	60-200 dis	−7.59
Spain	98.99-99.25	98.15-99.25	[illegible]	—	5-20 dis	−0.50
Italy	1,248.30-1,256	1,253-1,255	[illegible] lire dis	−5.15	19-21 dis	−6.39
Norway	5.9000-5.9400	5.9300-5.9400	[illegible] ore pm	1.62	1.90-1.60 pm	1.18
France	5.9225-5.9725	5.9685-5.9775	[illegible] c pm	0.35	0.05pm-0.25d	−0.13
Sweden	5.6850-5.7250	5.7150-5.7250	[illegible] ore pm	1.89	4.15-4.00 pm	2.85
Japan	231.75-234.25	233.55-[illegible]	[illegible] y pm	8.60	5.25-5.10 pm	8.86
Austria	16.34-16.46½	16.39½-16.40½	[illegible] gro pm	6.03	25½-21½ pm	5.73
Switz.	1.8675-1.8925	1.8855-1.8865	[illegible] c pm	7.13	3.33-3.23 pm	6.96

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.8590	1.8610	1.8650	1.8697	1.8770
D-Mark	4.3625	4.3475	4.3175	4.2734	4.1947
French Franc	11.0975	11.1075	11.1325	11.2202	11.3440
Swiss Franc	3.5075	3.4900	3.4550	3.4152	3.3167
Japanese Yen	434	431.3	425.5	417.8	405.0

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	41.7062	+2.33	+1.25	±1.5368
Danish Krone	7.91117	8.02053	+1.38	+0.30	±1.6412
German D-Mark	2.40989	2.44561	+1.48	+0.40	±1.1077
French Franc	6.17443	6.22075	+0.75	−0.33	±1.3733
Dutch Guilder	2.66382	2.68450	+0.78	−0.30	±1.5063
Irish Punt	0.684452	0.695041	+1.55	+0.47	±1.6668
Italian Lira	1300.67	1309.34	+0.67	+0.49	±4.1229

Changes are for ECU, therefore positive change denotes a *weak currency. Adjustment calculated by Financial Times.*
Sterling/ECU rate for February 5 .... 0.561214

GOLD

	Feb. 5		Feb. 4	
Gold Bullion (fine ounce)				
Close	$383¾-384¾	(£206½-207)	$384-385	(£206-206½)
Opening	$385½-386½	(£205½-206)	$379-380	(£203-203½)
Morning fixing	$384.50	(£205.395)	$383.75	(£205.489)
Afternoon fixing	$384.25	(£206.586)	$383.75	(£205.874)
Gold Coins				
Krugerrand	$395¾-396¾	(£213-213½)	$397-398	(£212½-213)
1/2 Krugerrand	$203½-204½	(£109½-110)	$204½-205¼	(£109¼-109¾)
1/4 Krugerrand	$104-105	(£56-56½)	$104-105	(£55¾-55¼)
1/10 Krugerrand	$42-43	(£22½-23¼)	$42½-43½	(£22¾-23¼)
Mapleleaf	$396¼-397¼	(£213¼-215¾)	$397½-398½	(£210-210½)
New Sovereigns	$94-94½	(£50½-50¾)	$94½-95	(£50-50¼)
King Sovereigns	$109-110	(£58⅝-59⅛)	$109-110	(£58½-59)
Victoria Sovs	$108-110	(£58+-59⅛)	$109-110	(£58½-59)
French 20s	$92-102	(£49½-55)	$92-102	(£49¼-54½)
50 pesos Mexico	$475-476	(£255½-257¼)	$477-481	(£255¼-257¼)
100 Cor. Austria	$373-375½	(£200¾-202¼)	$375-378	(£200½-200¼)
$20 Eagles	$510-514	(£274½-276¾)	$510-514	(£272¾-275)

OTHER CURRENCIES

Feb. 5	£	$		£ Note Rates
Argentina Peso	18,646-18,666†	10,000-10,050†	Austria	30.50-30.80
Australia Dollar	1.7019-1.7048	0.9153-0.9157†	Belgium	82.75-85.75
Brazil Cruzeiro	253.55-254.35	136.07-136.75	Denmark	14.25-14.39
Finland Markka	8.3328-8.3488	4.4680-4.4710	France	11.06-11.16
Greek Drachma	110.475-113.827	60.00-60.15	Germany	4.34¾-4.38¾
Hong Kong Dollar	10.87-10.88½	5.8475-5.8525	Italy	2340-2405
Iran Rial	151.00*	80.00*	Japan	436-441
Kuwait Dinar (KD)	0.530-0.536	0.28425-0.28445	Netherlands	4.76½-4.80½
Luxembourg Fr.	74.45-74.55	40.07-40.09	Norway	11.01-11.11
Malaysia Dollar	4.2790-4.2890	2.3020-2.3050	Portugal	126-132
New Zealand Dlr.	2.3264-2.3327	1.2515-1.2530	Spain	186½-196½
Saudi Arab. Riyal	6.38-6.44	3.4195-3.4215	Sweden	10.61-10.71
Singapore Dollar	3.90¾-3.91¾	2.1020-2.1050	Switzerland	3.48½-3.53½
Sth. African Rand	1.8200-1.8220	0.9790-0.9800	United States	1.85¾-1.87¾
U.A.E. Dirham	6.85-6.91	3.6712-3.6732	Yugoslavia	98-103

† Now one rate. * Selling rate.

CURRENCY MOVEMENTS

Feb. 5	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.6	−32.8
U.S. dollar	111.3	+4.1
Canadian dollar	88.4	−17.1
Austrian schilling	116.2	+24.4
Belgian franc	104.0	+7.4
Danish kroner	85.7	−11.4
Deutsche mark	121.8	+43.4
Swiss franc	151.8	+103.2
Guilder	113.8	+19.5
French franc	79.8	−15.3
Lira	55.8	−57.6
Yen	136.7	+33.0

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Feb. 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.610454	0.561214
U.S. $	12	1.13990	1.04638
Canadian $	14.74	1.37449	1.26131
Austria Sch.	6¾	18.6784	17.1607
Belgian F.	14	45.4934	41.7062
Danish Kr.	11	8.71568	8.02053
D mark	7½	2.66645	2.44561
Guilder	8½	2.92498	2.68450
French Fr.	9½	6.78241	6.22075
Lira	19	1426.36	1309.34
Yen	5½	265.198	243.441
Norwgn. Kr.	9	6.73225	6.19459
Spanish Pta.	8	113.083	103.893
Swedish Kr.	11	6.48717	5.97694
Swiss Fr.	6	2.13868	1.96308
Greek Dr'ch.	20½	—	62.8881

EXCHANGE CROSS RATES

Feb. 5	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.859	4.363	434.0	11.10	3.508	4.788	2329.	2.241	74.50
U.S. Dollar	*0.538*	1.	2.347	233.5	5.970	1.887	2.575	1253.	1.205	40.08
Deutschemark	0.229	0.426	1.	99.48	2.544	0.804	1.097	533.9	0.514	17.08
Japanese Yen 1,000	2.304	4.283	10.05	1000.	25.57	8.082	11.03	5366.	5.164	171.7
French Franc 10	0.901	1.675	3.931	391.1	10.	3.161	4.314	2099.	2.019	67.13
Swiss Franc	*0.285*	0.530	1.244	123.7	3.164	1.	1.365	664.0	0.639	21.24
Dutch Guilder	0.209	0.388	0.911	90.65	2.318	0.733	1.	486.5	0.468	15.56
Italian Lira 1,000	0.429	0.798	1.873	186.3	4.765	1.506	2.058	1000.	0.962	31.99
Canadian Dollar	0.446	0.830	1.947	193.7	4.952	1.565	2.136	1039.	1.	33.24
Belgian Franc 100	1.342	2.495	5.856	582.6	14.90	4.708	6.426	3126.	3.006	100.

هكذا من الأصل

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
§50	F.P.	12/2	30	29½	Asset Specl 10p	29½	......	—	—	—	—
100	F.P.	12/2	99	96	Baillie GiffordJ'n Tst	98	......	—	—	—	—
†	F.P.	—	340	315	✱Eldridge Pope £1	340	+8	9.5	2.9	4.0	10.5
80	F.P.	13/1	84	81	✱Equipu. 10p	82	......	bd5.1	2.1	5.4	12.6
—	F.P.	—	10	7	F&C Enter. Warrants	7	......	—	—	—	—
58½	F.P.	26/2	63	58½	Fledgeling Invs	62½	......	2.18	1.0	5.0	—
150	F.P.	4/1	165	156	✱Hayters £1	160	......	10.5	Φ	9.9	Φ
‖‖	F.P.	—	53	52	✱Malaysian Tin 5p	52	......	—	—	—	11.4
US$5.90	F.P.	12/2	305	260	Newmarket (1981)5c	269	−5	—	—	—	—
§10	F.P.	10/12	18½	14	✱Owners Abroad10p	18½	+½	b0.5	5.1	4.0	9.8
§§	F.P.	—	12	4½	Peek Hldgs	11½	−½	—	—	—	7.8
115	F.P.	29/1	128	117	Speyhawk 10p	128	+2	bd7.0	2.5	7.8	5.8
—	F.P.	—	5	3½	Viners 1p	4	......	—	—	—	—
46	F.P.	19/2	51	47	✱York Mount	51	......	b4.51	3.9	12.6	2.2

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing price £	+ or −
$100	£25	—	27	26¾	Barclays 16% Ln. Stk	26¾	......
¶¶	F.P.	13/3	97	86	Habitat 9½% Conv. Uns. Ln. '96-2001	96	−1
‖	F.P.	26/2	112	102	Haslemere Est 9pc.Conv Uns Ln. 2001/06	111	−½
*19½	£10	18/3	13	12	Mid-Kent Water 9½% Red. Prf. 1987	12½	......
§100	F.P.	—	100¾	99¾	Nat'wide Bdg. Society 16¼% (17/1/83)	100¾	+¼
§100	F.P.	—	100¼	100	Do. 15⅝% (7/2/83)	100¼	+⅛
—	F.P.	—	117	105	Viners 10% Cnv. Loan 1988	117	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −
2.5A$	Nil	—	—	92pm	50pm	C S R A$1	54pm	—
15	F.P.	26/1	17/2	19	16	✱Carlton Real Este.10p	18	—
140	Nil	—	—	25pm	15pm	Davy Corp.	25pm	—
55	Nil	12/2	5/3	60pm	50pm	Glass Glover	60pm	+8
R.2.	Nil	—	—	25pm	20pm	Griqualand 5 cts	25pm	—
25	F.P.	25/1	12/2	50	32	I.C.L.	48	−1
180	F.P.	29/1	26/2	256	212	Kwik-Save 10p	256	+4
44	F.P.	8/1	12/2	54	48	Lennons Grp.10p	54	+1
188	Nil	11/2	26/3	38pm	30pm	MEPC	38pm	−1
50	F.P.	19/1	19/2	58	52	Wearwell 5p	53	−1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and *yield based on prospectus or other official estimates for 1982.* Q Gross. T Figures assumed. Φ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ *With warrants.* †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip. † Formerly dealt in under Rule 163(2) (a).

LADBROKE INDEX
Close 576-581 (+4)

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

S.G. Europe Obligations S.A.

Leopold Joseph & Sons (Guernsey)

Save & Prosper International

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)
Registrar's Dept., Goring-by-Sea, Worthing, West Sussex. 01-623 1288

Balanced	78.9	84.8	.....	4.46
Do. (Accum.)	123.7	131.8	-0.1	4.46
Energy Int.	40.4	43.4	-0.3	2.25
Do. (Accum.)	41.0	44.0	-0.4	2.25
Extra Income	65.0	69.8	+0.2	8.40
Do. (Accum.)	92.5	99.5	+0.3	8.40
Income	103.1	110.8	+0.1	6.72
Do. (Accum.)	134.8	182.5	+0.1	6.72
Int. Technology	78.8	84.7	.....	0.41
Do. (Accum.)	80.2	86.2	.....	0.41
N. American & Gen.	47.3	50.8	.....	1.22
Do. (Accum.)	48.6	52.2	.....	1.22
Pacific Basin	47.2	50.7	+0.3	0.79
Do. (Accum.)	47.6	51.1	+0.3	0.79
Small Cos. & Recy.	60.4	64.9	+0.4	2.84
Do. (Accum.)	63.4	68.1	+0.5	2.84
Worldwide Gwth.	88.2	94.8	+0.2	2.19
Do. (Accum.)	118.6	127.5	+0.3	2.19

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	285.5	300.6	.....	3.96

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Property Fd. Dec. 31	158.50	.....	6.77
Wider Fund Dec. 31	280.25	.....	5.05
Narrower Fd. Dec. 31	70.05	.....	14.57

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

American	67.4	72.5xd	-0.5	2.56
(Accum. Units)	73.9	79.4	-0.6	2.32
American Recovery	77.9	83.4	-0.7	1.48
(Accum. Units)	81.2	86.7	-0.7	1.48
Australasian	77.1	82.5	+0.1	1.74
(Accum. Units)	81.0	86.7	+0.1	1.74
Commodity	124.2	132.9xd	.....	3.48
(Accum. Units)	149.5	160.0	.....	4.48
Compound Growth	185.4	202.1	+0.5	3.63
Conversion Growth	123.6	132.3	+0.1	2.61
Conversion Income	84.7	90.6	+0.3	8.14
Dividend	142.4	155.3	+0.5	8.43
(Accum. Units)	338.9	369.4	+1.2	8.43
European	59.3	63.4xd	+0.1	3.18
(Accum. Units)	66.6	71.3	+0.1	3.18

Save & Prosper Group—Cont.

High Income Funds

Gilt & Fxd. Int. Inc.	45.6	49.1	+0.2	12.66
High Return	68.8	74.0xd	+0.1	8.12
Income	45.1	48.5	.....	9.56

U.K. Funds

Gilt & Fxd. Int. Grth.	52.1	52.7	+0.2	4.90
UK Equity	64.5	69.7xd	+0.1	4.00

Overseas Funds (z)

Europe	77.0	82.9	+0.2	2.06
Japan	129.0	137.7	+0.4	0.10
S.E. Asia	82.5	88.8	+0.1	0.67
U.S.	115.2	123.9	-1.1	0.78

Sector Funds

Commodity	125.4	134.9	+0.1	3.14
Energy	120.6	129.8	-1.0	1.51
Exploration Fund (z)	33.8	36.3xd	-0.4	0.25
Financial Secs.	104.2	112.1	+0.1	2.69
New Technology (z)	47.3	50.9xd	-0.1	0.25

Fixed-Interest Fund (z)

Intl. Bond Fd.	61.7	64.9	-0.5	2.28

Exempt Funds

Exempt Income*	197.7	208.7	.....	7.49
Exempt Intl.*	359.8	379.8	.....	0.89

*Prices at Jan. 27. Next sub day Feb 10.

Scotbits Securities Ltd.

Scotbits	49.1	53.0xd	+0.1	3.72
Scotyield	56.7	61.0	.....	7.17
Scotshares	84.7	91.5	.....	4.29

Schroder Unit Trust Managers Ltd.
48, St. Martins Lane, WC2. Dealings 0705 27733

Capital	172.7	185.6	-0.5	2.72
(Accum. Units)	226.4	243.0	-0.5	2.72
Income Fnd.	253.3	272.3xd	+0.8	7.10
(Accum. Units)	463.4	498.2	+1.5	7.10
Gen.	141.3	151.9xd	+0.2	3.85
(Accum. Units)	197.0	211.8	+0.2	3.85
Europe	22.7	24.4	+0.1	2.91
(Accum. Units)	27.4	29.4	+0.1	2.91
Smaller Co.'s	161.2	173.3	+0.4	2.38
American	53.0	56.9	-0.4	0.51
(Accum. Units)	53.0	56.9	-0.4	0.51
Tokyo	55.9	60.1	+0.1	0.36
(Accum. Units)	55.9	60.1	+0.1	0.37
Gilt & Fixed	43.9	46.2xd	+0.5	12.36
(Accum. Units)	48.0	50.5	+0.5	12.36
Australian	47.9	52.0xd	.....	3.60

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
Nov. May	Falcon Rh.50c	93	1.5	Q25c	10.3	20.0
Aug.	Roan Cons. K4	80	29.6	♦Q0.13	5.0	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Yld Gr's
—	Anglo-Dominion	25	—	—	—	—
May	Burma Mines 10p	14½	30.3	0.75	0.9	7.4
—	Colby Res. Corp.	100	—	—	—	—
Aug. Feb.	Cons. Murch. 10c.	292	23.12	Q60c	ϕ	10.9
—	††Exploura Gold	7½	—	—	—	—
—	††Hemerdon 10c.	63	—	—	—	—
—	Highwood Res.	85	—	—	—	—
—	Northgate C$1	210	977	—	—	—
Jan. July	R.T.Z.	465	23.11	16.0	2.9	4.9
Jan July	[illegible]	£107	9.11	Q9½%	—	18.9
—	††SPO Minerals 10p	18	—	—	—	—
—	Sabina Inds. C$1	15	—	—	—	—
—	‡Southwest C. 10p	31	—	—	—	—
—	Tara Exptn. $1	415	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ● Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

[illegible]

OPTIONS

3-month Call Rates

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Electric	65	Sears	6	Ultramar	38
Glaxo	42	Tesco	5½		
Grand Met.	17	Thorn EMI	42	Mines	
G.U.S. 'A'	45	Trust Houses	11	Charter Cons.	25
Guardian	25	Tube Invest.	13	Cons. Gold	45
G.K.N.	15	Turner & Newall	11	Lonrho	7
Hawker Sidd.	38	Unilever	55	Rio T. Zinc	42

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FINANCIAL TIMES
Monday February 8 1982

CENTRAL BANK GOVERNORS MEET AS RIFT GROWS

U.S. faces interest rate call

BY DAVID MARSH

ALARM in Europe and Japan at high and fluctuating U.S. interest rates is likely to be raised at today's meeting of central bank governors in Basle.

American central bankers are expected to face renewed pleas to curb the dollar's volatility and explain whether the ballooning U.S. money supply can be controlled without disrupting the fragile international economic recovery.

The meeting is a regular monthly two-day session at the Bank for International Settlements (BIS).

It is unlikely to reach any agreement on renewing co-ordinated foreign exchange intervention or on action to bring down interest rates.

Central bankers' qualms are unlikely to have been lessened by U.S. money supply figures on Friday. These showed that M1, the main measure, fell in the latest week, but that the Federal Reserve Board has tightened its monetary targets.

The news led to further weakening on New York credit markets late on Friday.

The tightening of the U.S. credit markets has created one of the deepest rifts over monetary policy between the U.S. and the rest of the industrialised world since the dollar devaluation of 1971.

One European central banker who will be at today's meeting said last week the divide was worse than during the currency crisis under President Carter in 1977-78.

His main quarrel was with the U.S. Administration, not the Fed. "In 1977-78, we were not faced with his doctrinaire attitude. The Americans were making mistakes. But you could discuss matters. Now it's a deadlock."

Mr Paul Volcker, Fed chairman, will not be at the meeting. The Fed will be represented by Mr Henry Wallich, a member of its governing board.

The Japanese delegation will be led by Mr Haruo Maekawa, Bank of Japan president who, unlike European governors, does not attend every BIS meeting.

Europe and Japan would like the U.S. to:

LOWER its budget deficits to reduce upward pressure on interest rates. The Fed has appealed to the Administration to do this—to no avail;

PERSUADE financial markets against over-reacting to the weekly money supply figures. The only way to do this, another European central banker said, is for the U.S. authorities to make clear they are interested only in the underlying trend.

RE-START co-ordinated exchange market intervention. This has been urged repeatedly. The latest plea was made last week by Dr Fritz Leutwiler, president of the Swiss National Bank and of the BIS.

However, under present fluctuating interest rates, even the most pro-interventionist central bankers do not think this type of joint action would stand much success in stabilising currencies.

Japan 'vulnerable' to pressure, Page 3

Howe considers 'giveaway' shortlist

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE CHANCELLOR will this week start to make his choice for his Budget on March 9 from three broad options officials have put before him.

These options represent the "short-list" that remains from the five main possibilities which the Treasury advanced for "giving away" between £1bn and £2bn in tax reductions or other measures.

However, the Chancellor has yet to decide the full total into which the options must be fitted. With unchanged policies, the Treasury's estimate for public borrowing next year is believed to be about £8bn or a little less. Yet the Government's medium-term strategy implies that borrowing should be about £9bn to £9.5bn, giving the Chancellor about £1bn to £1.5bn to keep within the strategy.

He has still to decide whether to accept the advice of those who believe borrowing could be allowed to remain close to £10.5bn—about the same as this year's in money terms but less in real terms and less as a percentage of output. This would allow him to give away about £2bn.

The five options were:

● Reduction in employers' National Insurance surcharge.

● Cut in income tax thresholds by more than inflation rate.

● No increase in excise duties to offset inflation.

THE CONSERVATIVE PARTY'S Monday Club has written to the Prime Minister warning of electoral defeat unless she can produce Budget concessions as "tangible evidence that the Government's economic policies are working."

The group yesterday called on the Prime Minister and Sir Geoffrey Howe, the Chancellor, to introduce a 2 per cent income tax cut in the March 9 Budget.

The group blamed the Government for the collapse of Laker Airways. "It's failure to privatise British Airways directly contributed to the unfair competition which ultimately put Laker out of business," it said. The Monday Club called for more privatisation of nationalised industries and warned against proposals for more public spending.

● Cut in rate of Value Added Tax.

● Cut in income tax basic rate.

Of these, a cut in VAT or the basic tax rate have been almost eliminated.

A basic rate cut would have been directly in line with Government policy. But it would contradict the 1 per cent increase of employees' National Insurance contributions, already announced and taking effect in April. Moreover, a cut in basic rate would stimulate import consumption along with home-produced goods, with little benefit to employment or prices. It would also be expensive, costing about £1.4bn in extra borrowing for a 2 per cent cut.

A VAT cut also appears to have been shelved despite having some influential Treasury support. The attraction would be to give prices a downward push after the recent increase in the inflation rate to 12 per cent. A 2 per cent cut in VAT would reduce the Retail Prices Index by about 1 per cent at a cost to public borrowing of about £1.2bn.

Against this, a VAT reduction would also help importers while doing little to help domestic industry costs. The effect on unemployment would be relatively small. And it might embarrass the Chancellor who raised VAT to 15 per cent in 1979.

Of the three remaining options, a cut in the employers' National Insurance Surcharge from its present rate of 3½ per cent remains the front-runner. The two point cut, urged by the Confederation of British Industry would cost about £1.5bn next financial year and £2bn in 1983-84.

Apart from pleasing the CBI, the main attraction for the Chancellor is that it would help industry but not foreigners.

Sceptics, including some Treasury ministers, argue that a cut in the NIS would be politically tactless at a time when company profits are expected to show large increases.

The two remaining options are to raise tax thresholds by more than the rate of inflation or to hold duties on petrol and alcohol at present levels.

Under the Treasury's assumptions, tax thresholds will rise in accordance with inflation at a cost of about £1.8bn in terms of the need for public borrowing. It is also assumed that duties on beer, wine, spirits and petrol will rise in line with inflation and reduce by about £1bn the need for borrowing.

It is generally assumed by MPs and officials that the Chancellor will raise tax thresholds by at least the rate of inflation, if only because he failed to do so last year.

The final option being seriously considered in the Treasury would be to hold excise duties, which would benefit inflation since a 12 per cent rise in duties increases the prices index by more than 1 per cent. It could be justified by the fact that duties rose last year by more than the inflation rate.

Rhineland company given to Bulgaria

By Leslie Colitt in Berlin

A STRUGGLING West German engineering company has been given to Bulgaria in the first recorded case of a Communist rescue of a distressed Western enterprise.

For the past fortnight, the 450 employees of the Rheinische Maschinenfabrik und Giesserei Anton Roeper have worked for Mr Alexei Alexeyev, a Bulgarian managing director, formerly a deputy director of the Mashinoexport State Trading Company of Sofia.

The company, providing machine tools and foundry equipment, long-established in Viersen in the Rhineland, was losing money and suffering from lack of investment capital. The family owners were anxious to part with it. Last year it turned over DM 45m (£10.32m).

Herr Wilfried Seeger, an executive of the company, said a "trustworthy" West German middleman brought the Bulgarians and the owners together.

He admitted that it was somewhat "unusual" to give the factory away complete with its assets and liabilities, adding that the company had considerable "breakdown value."

The Bulgarians, he said, could provide considerable financial backing.

It was too early to say how much they would invest in their novel acquisition.

The five Bulgarian State companies making up Machinoexports, which now owns the German factory, have 100,000 employees and an annual turnover of several billion dollars.

The works, which specialises in foundry equipment, has cooperation agreements with several companies in West Germany and Britain. Its business links with Bulgaria were not especially strong, some 20 per cent of its exports went to Comecon countries, mainly Russian and Poland, in recent times.

It is hoped that this Comecon business will pick up in the future, thanks to the Sofia connection. Herr Seeger could not say if there would be transfer of company technology to Bulgaria.

A contract transferring Anton Roeper to Bulgarian ownership was signed on December 18.

Strike threat as Bolivia devalues

BY OUR FOREIGN STAFF

MINERS in the key Bolivian tin industry are due to start a 48-hour strike today in protest against emergency economic measures introduced at the weekend. These include a major devaluation and sharp increases in energy prices.

The moves, which President Celso Torrelio Villa said were necessary to prevent Bolivia falling "into a state of total bankruptcy," comprise:

A devaluation pegging the Bolivian peso at 44 to the dollar compared with 25; increases of up to 43 per cent in the price of petrol and electricity; public spending restrictions; tax reform; pay rises of up to 130 per cent for civil servants: lower import tariffs on food and industrial raw material supplies, and a food price and rents freeze.

Bolivia's total foreign debt is about $3.6bn (£2bn). Its foreign exchange reserves are practically exhausted. In 1980, the latest year for which figures are available, gross national product grew by only 0.3 per cent and tin production was the lowest for 15 years. Officials are expecting a decline in GNP for 1981.

Sr Jaime Humerez, Information Minister, said last night the Government hoped the measures would soon attract international financial aid.

Officials said Bolivia would continue negotiations with the International Monetary Fund for a $240m (£129m) loan while also seeking credits elsewhere.

All banks have been closed until Wednesday to allow them to adjust to the action.

Military police were put on alert in case unions and peasant groups carried out their threats of a two-day general strike to oppose the measures.

On Friday night and early Saturday the streets of the capital La Paz, normally bustling with vehicles and pedestrians, were virtually deserted.

Political party and trade union activity have been outlawed since the military seized power in July, 1980, although recent changes eased restrictions on the unions.

The armed forces joint command said it would "back fully" Sr Torrelio's measures.

Laker rescue bid

Continued from Page 1

for the new company which would bid for Laker.

Mr Hamilton said: "£35m on its own won't do it. They'll have to go an awful lot further and achieve a deal with the syndicates."

The Midland-led airbus syndicate has appointed Mr Hamilton its receiver, while the Japanese bank syndicate has appointed Mr Lyn Hall of Thompson McLintock its receiver.

A vital element of the Orion package would be the participation of Sir Freddie himself. "The consortium would actively want Freddie Laker on board and it would not work without him," said Mr Earl.

It was learned last night that the receivers would be appealing against the CAA's six-day notice of licence revocation. If the CAA believes the chances of a rescue of even a part of the business are sound, it can transfer the Laker licences to the new operator.

Widespread sympathy for the plight of Laker was shown throughout the UK over the weekend. By Saturday morning more than £250,000 reportedly had been pledged by the public who have been inundating the airline with offers of help. Save Laker funds have been set up around the country.

It is unclear whether there is any practical way of applying the funds or whether they will have to be returned.

The rescue operation of the thousands of Laker passengers stranded abroad continues this morning. By late yesterday it was estimated that 2,000-3,000 passengers had been flown home from both the U.S. and Western Europe by other airlines honouring Laker tickets. These included British Airways, British Caledonian, Pan American, Trans-World Airways and Air Florida.

Strike effects

Continued from Page 1

bers of the independent inquiry, which was set up by the Advisory Conciliation and Arbitration Service, to look into the dispute, will decide whether to proceed with their work.

Lord McCarthy, inquiry chairman, has offered Aslef new terms of reference to try to persuade the union to cooperate with the inquiry. However, these are unacceptable to BR and the other unions. BR suggested Lord McCarthy might have gone beyond his brief in doing this, because the terms of reference were to be established by Acas, not by the inquiry itself.

The full BR board is to meet again on Wednesday, and will give more consideration to suspending staff, depending on whether the inquiry starts its work.

The Aslef executive is to decide today or tomorrow on action to follow tomorrow's and Thursday's strikes. Mr Ray Buckton, Aslef general secretary, warned yesterday that the strikes would continue until the union's case was answered.

Speaking on ITV's Weekend World, Mr Buckton said: "We are there to have success in our battle because the principle is so great to the whole of the trade union movement and to industrial relations."

He said Aslef would "carry on until we get justice, because there is no doubt that we are not the culprits in this dispute. It is the BR board."

He accepted that the dispute might hasten a scaling-down of the railway network, but insisted that the Government's refusal to invest in the railway industry meant this would have happened in any case.

He stressed the level of support for Aslef from other TUC unions, though many militant train drivers who attended a mass meeting called by Aslef at the TUC's London headquarters over the weekend criticised the union leadership for failing to translate that support into practical action.

Drivers suggested that Aslef should press the Transport and General Workers' Union in particular to instruct its members in the road haulage industry to black any goods diverted to road transport.

TUC to fight privatised cleaning

By John Lloyd, Labour Editor

THE TUC is to mount a counter-attack against local authorities intending to privatise cleaning and other services.

One of its main weapons will be a confidential report prepared last October by officers of the independently controlled West Lindsey district council, in Lincolnshire. This claims that the savings made by privatising cleaning services in Southend—the most celebrated case of a council which has made this change—had been exaggerated by a factor of at least 10 and may amount to virtually nothing.

The West Lindsey report recommended the district council not to employ contractors for its cleaning services.

It said the widely-quoted savings of £492,920 in Southend from contract labour instead of direct labour was based on pre-1981 estimates. The true present saving was only £45,609. This figure would be reduced by a further £18,500 next year because of pension payments.

Moreover, if the council had increased its charges for trade waste collection in line with increases brought in by the contractor, direct labour charges for refuse collection would show a saving over contract costs of over £700.

Contract services

The West Lindsey report will feature in a pamphlet being prepared by the TUC for public sector unions. The pamphlet is aimed at providing local authority trade unionists with arguments to use against councillors who intend using contract services. It will urge them to build united fronts of opposition to such schemes where possible with other unions, trades councils and local Labour parties.

The pamphlet will argue:

● That savings from privatisation are often illusory and are usually only short-term;

● That if the contractors hired by the council go bankrupt, councils will be liable for high costs;

● That any council intending to privatise must display all costs, including redundancy payments and sale at a loss of cleaning equipment.

Southend, Wandsworth and Eastbourne have put out all or some of their cleaning services to private contract. Others — including some Labour-controlled councils — are considering following suit.

Weather

UK TODAY

DRY with some sun at first, cloud and periods of rain spreading from the west. Gales in north and west.

England, Wales, N. Ireland, S. Scotland

Sunny periods, becoming cloudy with some rain. Strong winds. Max 11C (52F)

Rest of Scotland

Sunny periods, followed by snow, turning to rain. Gales. Max 7C (45 F).

Outlook: Unsettled. very windy.

WORLDWIDE

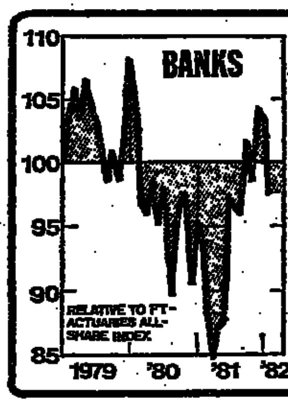
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	14	57	Locarno	S	6	43
Algiers	F	15	59	London	R	9	48
Amsdm.	R	7	45	L. Ang.†		—	—
Athens	S	11	52	Luxmbg.	C	7	45
Bahrain	R	16	61	Madrid	C	6	43
Barclna.	S	11	52	Malaga	C	14	57
Beirut	S	16	61	Malta	S	15	59
Belfast	F	6	43	M'chstr	C	6	43
Belgrd.	C	3	37	Mx. C.†		—	—
Berlin	C	7	45	Miami†	F	21	70
Bmghm.	C	6	43	Milan	Fg	2	36
Blackpl.	C	6	43	Montrl.†		—	—
Bordx.	S	11	52	Moscow	S	−16	3
Boulgn.	C	7	45	Munich	F	8	46
Bristol	C	8	46	Nairobi	S	27	81
Brussels	C	6	43	Naples	C	10	50
Budpst.	Fg	−1	30	Nwcstl.	C	8	46
Cardiff	C	7	45	N. York†	F	−6	21
Cas'b'ca	F	18	64	Nice	S	14	57
Cape T.	S	29	84	Nicosia	C	13	55
Chicg.†		—	—	Oporto	C	12	54
Cologne	F	10	50	Oslo	C	−4	25
Cpnhgn.	F	4	39	Paris	C	8	46
Corfu	S	13	55	Perth	S	27	82
Denver†		—	—	Prague	F	6	43
Dublin	C	9	48	Rykjvk.	Sn	−3	27
Dbrvnk.	S	9	48	Rhodes	S	13	57
Faro	C	15	59	Rio J'o†		—	—
Florence	F	8	46	Salzbrg.	C	5	41
Funchal	C	17	63	S'ciscot	F	5	41
Geneva	S	9	48	S'trago†		—	—
Gibrltr.	C	16	61	Stckhm	Sn	−4	25
Gl'sg'w	C	6	43	Strasbg.	C	11	52
G'msey	C	3	46	Tangier	F	18	64
Hlsinki	F	−14	7	Tel Aviv	C	14	52
H. Kong	C	17	63	Tenerife	F	21	70
Innsbrk.	S	7	45	Tokyo	S	4	39
Invrnss.	R	4	39	T'nto†		—	—
I.o.Man	F	8	46	Tunis	S	15	59
Istanbul	S	4	39	Valencia	C	12	54
Jersey	C	9	46	Venice	Fg	0	32
Jo'burg	F	25	77	Vienna	S	3	37
L. Plms.	F	21	70	Warsaw	C	2	26
Lisbon	R	10	50	Zurich	S	9	48

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sn—Snow.
† Noon GMT temperatures.

THE LEX COLUMN

Banks look to their capital

The London clearing banks have all raised money in the form of loan stock over the last year. So, while Barclays was able to step out in style with an old-fashioned fixed-rate sterling bond last week—carrying a 16 per cent coupon to boot—its desire for cash came as no particular surprise. Last June, for example, it raised $100m (£53.79m) in the U.S.



Nor are these sums out of line. The Nat-West has raised $275m since July, as well as a DM 100m (£22.92m) bond. Lloyds picked up $100m in October and the Midland $225m since March.

There is not much of a mystery as to why the clearers are hungry for funds. Total balance sheets have been rising fast. In the last decade the compound rate of growth has been about 20 per cent per annum. In 1981, analysts estimate that the typical expansion has been of the order of 30 per cent.

Among the factors behind this acceleration have been the depreciation of sterling last year and the bank's push into the domestic mortgage market. And profits are not expected to have kept up with this rate of growth, not least because business done on the margin tends to be less profitable. In addition, last year's retentions were hit on the head by the windfall profits tax.

So the ratios of capital to deposits are coming down — a trend on which all the analysts seem to be agreed although their specific figures vary. The ratio watched most closely by the Bank of England—the free capital ratio, which includes subordinated loan stock — is estimated by brokers James Capel to have fallen from 4.5 to 4 per cent in Barclays' case, even including the latest bond. Lloyds is more comfortable at around 4.7 per cent, although there seem to have been sharp falls of a full point at NatWest and the Midland, to about 3½ per cent.

But the Bank only allows subordinated loans to form a third of free capital. On that basis, the proportion of debt to equity is still fairly comfortable for Barclays, NatWest and Lloyds. By contrast, the Midland is probably getting rather close to the ceiling.

Accordingly, the Midland comes out very much worse on the second set of ratios, free equity as a proportion of deposits, which does not include loan stock. Capel estimates that the figure may have fallen from 3 per cent to roughly 2 per cent, while Laing and Cruicksbank put the proportion below 2 per cent.

Midland was proportionately hard hit by the windfall profits tax, while the consolidation of Crocker has also depressed the ratio. But the basic problem is that with stagnant profits in recent years, Midland simply has not made sufficient retentions to push up its reserves adequately.

A small detachment of cavalry can be glimpsed on the horizon, in the shape of an £83m convertible, which is set to be turned into equity in early 1983. Moreover, the Midland's conservative approach to leasing gives it room to switch some deferred tax into shareholders' funds without too much embarrassment, worth perhaps £50m. Nevertheless, the free equity ratio will still remain uncomfortably low. And given the Midland's high level of capital expenditure, it will be hard to trade its way to better ratios in the medium term.

So a rights issue looks the obvious solution, and one that has been expected by the market for some time. Certainly in the past the breaching of the 2 per cent level usually has been the signal for a bank to issue equity. But if Barclays was inhibited from issuing shares last week by the dividend cost, how much more must be the Midland, whose shares offer a yield 60 per cent higher. Moreover, a one-for-four at the present lowly rating would produce only about £110m, which would probably not even be enough to raise the free equity ratio into the 2½ to 3½ per cent spread currently occupied by the other clearers.

Atlantic carriers

The demise of Laker Airways is unlikely to bring much relief to the surviving North Atlantic operators. The International Air Transport Association has estimated that its members lost $500m on North Atlantic routes last year and, despite the Laker collapse and proposed increases in Apex fares, 1982 is unlikely to be much better.

The load factor on the North Atlantic (which comprises all flights from North America to Europe, the Middle East and North Africa) rose from 65.4 to 68.1 per cent last year. Given the stagnation in air fares, this was not fast enough to compensate for the growth in overheads. On the New York-London route, Laker's speciality, the load factor was almost certainly much worse. Laker itself filled only 40 per cent of its seats in the last fortnight of January.

The danger is that the gap left by Laker will be filled rapidly by other carriers. U.S. companies such as Capitol International are expanding their discount operations across the Atlantic and the British Government, which is entitled to three transatlantic flag-carriers under the Bermuda II agreement, will not want the supply of traffic to tilt in favour of the U.S. Yet a reduction in capacity seems the only way to restore the battered margins on North Atlantic routes.

TWA is the only major carrier to make a return out of the Atlantic. Last year, its pre-tax profits from that area totalled $33m—thanks to an 11 per cent increase in revenue per passenger mile. But both Braniff and Pan Am are unable to cover their debt costs and remain on the stock market's critical list.

Even if demand improves later this year, as some industry analysts expect, capacity could rise to meet it. The going rate for a semi-depreciated DC-10/30 is $18.75m, according to Avmark, the U.S. aviation consultant. Laker has five of these and about another 35 are believed to be on the market. A discount operator might well conclude that these aircraft could be successfully used to undercut IATA carriers on North Atlantic routes.

Pan Am, for example, paid $44m for a new DC-10/30 in late 1980. After allowing for depreciation and interest costs, its break-even level would be much higher than that of an airline entering the market now.

The Laker debacle is another blow for the civilian aircraft manufacturers. McDonnell Douglas, which co-operated gamely in the Laker survival plans, announced on Friday that it was pulling out of a joint development project with Fokker. Of the U.S. companies only Boeing seems able to stand the pace.

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